CONSOLIDATED FINANCIAL STATEMENTS

The Mount Sinai Hospital Years Ended December 31, 2015 and 2014 With Report of Independent Auditors

Ernst & Young LLP





Consolidated Financial Statements

Years Ended December 31, 2015 and 2014

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Ernst & Young LLP 5 Times Square New York, NY 10036-6530 Tel: +1 212 773 3000 Fax: +1 212 773 6350 ev.com

Report of Independent Auditors

The Board of Trustees Mount Sinai Health System, Inc.

We have audited the accompanying consolidated financial statements of The Mount Sinai Hospital, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Mount Sinai Hospital at December 31, 2015 and 2014, and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 31, 2016

Consolidated Statements of Financial Position

	December 31 2015 2014		
	 (In The	ousa	inds)
Assets			
Current assets:			
Cash and cash equivalents	\$ 194,904	\$	289,456
Short-term investments	 174,806		188,176
Total cash and cash equivalents and short-term investments	369,710		477,632
Patient accounts receivable, less allowances for doubtful			
accounts (2015 – \$62,568; 2014 – \$54,510)	262,818		240,792
Professional liabilities insurance recoveries receivable	34,294		32,773
Assets limited as to use	26,661		19,471
Due from related organizations, net	202,536		141,671
Inventories	32,582		30,816
Other current assets	30,631		19,683
Total current assets	 959,232		962,838
Pooled investments	684,285		675,692
Other investments	174,809		141,220
Assets limited as to use	42,439		114,690
Other assets	35,430		26,639
Deferred financing costs	6,981		7,941
Professional liabilities insurance recoveries receivable	194,333		185,714
Property, plant, and equipment, net	915,442		795,959
Total assets	\$ 3,012,951	\$	2,910,693

	December 31			
	2015	2014		
	(In The	ousands)		
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 166,865	\$ 144,104		
Accrued salaries and related liabilities	99,619	107,673		
Accrued interest payable	8,277	8,734		
Accrued construction and capital asset liabilities	9,071	6,909		
Current portion of long-term debt	28,366	23,027		
Professional liabilities	34,294	32,773		
Other current liabilities	29,231	22,113		
Total current liabilities	375,723	345,333		
Long-term debt, less current portion	559,034	585,863		
Accrued postretirement benefits	17,059	18,913		
Deferred gain on transfer of real estate	27,055	27,055		
Professional liabilities, less estimated current portion	194,333	185,714		
Other liabilities	421,147	400,864		
Total liabilities	1,594,351	1,563,742		
Commitments and contingencies				
Net assets:				
Unrestricted	1,264,367	1,193,819		
Temporarily restricted	76,942	76,200		
Permanently restricted	77,291	76,932		
Total net assets	1,418,600	1,346,951		
Total liabilities and net assets	\$ 3,012,951	\$ 2,910,693		

Consolidated Statements of Operations

	Year Ended December 31		
	2015	2014	
	(In Thoi	isands)	
Operating revenue			
Net patient service revenue	\$ 2,064,936	\$ 1,963,785	
Provision for bad debts	(14,715)	(15,013)	
Net patient service revenue, less provision for bad debts	2,050,221	1,948,772	
Investment income and net realized gains on sales of securities	26,169	16,460	
Contributions	264	335	
Other revenue	28,068	31,384	
Net assets released from restrictions for operations	22,451	19,600	
Total operating revenue before other items	2,127,173	2,016,551	
Operating expenses			
Salaries and wages	773,306	737,767	
Employee benefits	218,603	232,804	
Supplies and other	895,397	851,663	
Depreciation	108,075	101,780	
Interest and amortization	26,484	17,743	
Total operating expenses before other items	2,021,865	1,941,757	
Excess of operating revenue over operating expenses			
before other items	105,308	74,794	

Continued on following page.

Consolidated Statements of Operations (continued)

	Year Ended December 3 2015 2014		
		(In Thousa	nds)
Excess of operating revenue over operating expenses before other items	\$	105,308 \$	74,794
Other items			
Net change in unrealized gains and losses on investments			
and change in value of alternative investments		(29,371)	16,787
Third-party reimbursement settlements		22,195	14,986
Restructuring and merger-related costs		_	(1,482)
Net change in participation in captive insurance program and			
malpractice insurance program interest rate shortfall		(14,718)	23,211
Medical residents FICA tax refund		_	5,182
Excess of revenue over expenses		83,414	133,478
Other changes in unrestricted net assets			
Transfers to affiliates		(53,141)	(40,596)
Distribution from MSMC Realty Corporation		26,007	15,280
Distribution from MSMC Residential Realty LLC		262	654
Equity in income from related party		1,148	506
Equity in income from related party and distributions transferred			
to the Icahn School of Medicine at Mount Sinai		(1,410)	(1,160)
Net assets released from restrictions for capital asset acquisitions		12,245	9,797
Change in postretirement liability to be recognized			
in future periods		2,023	(3,247)
Total other changes in unrestricted net assets		(12,866)	(18,766)
Net increase in unrestricted net assets	\$	70,548 \$	114,712

The Mount Sinai Hospital

Consolidated Statements of Changes in Net Assets

	Y	ear Ended D	ecem	iber 31, 20	15	Y	ear Ended De	cember 31, 20	14
		Temporaril	y Pei	rmanently		Temporarily Permanently			
	Unrestricted	Restricted	R	Restricted	Total	Unrestricted	Restricted	Restricted	Total
	(In Thousands)								
Net assets at beginning of year	\$ 1,193,819	\$ 76,200	\$	76,932	\$ 1,346,951	\$ 1,079,107	\$ 69,752	\$ 76,754	\$ 1,225,613
Net increase in unrestricted									
net assets	70,548	_	-	_	70,548	114,712	_	_	114,712
Donor restricted contributions, net	_	35,438	}	359	35,797	_	35,845	178	36,023
Net assets released from									
restrictions for operations	_	(22,451)	_	(22,451)	_	(19,600)	_	(19,600)
Net assets released from									
restrictions for capital asset									
acquisitions	_	(12,245	5)	_	(12,245)	_	(9,797)	_	(9,797)
Total change in net assets	70,548	742	2	359	71,649	114,712	6,448	178	121,338
Net assets at end of year	\$ 1,264,367	\$ 76,942	2 \$	77,291	\$ 1,418,600	\$ 1,193,819	\$ 76,200	\$ 76,932	\$ 1,346,951

Consolidated Statements of Cash Flows

	Year Ended December 31		
	2015 2014		
	(In Thousands)		
Operating activities	_		
Change in net assets	\$	71,649	\$ 121,338
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		108,075	101,780
Amortization of deferred financing fees, bond premium,		Ź	,
and discount		(520)	(541)
Net change in unrealized gains and losses on investments		` ,	
and change in value of alternative investments		29,371	(16,787)
Net donor-restricted contributions		(35,797)	(36,023)
Equity in income from related party		(1,148)	(506)
Transfers to affiliates		53,141	40,596
Distribution from MSMC Realty Corporation		(26,007)	(15,280)
Distribution from MSMC Residential Realty LLC		(262)	(654)
Changes in:			
Patient accounts receivable		(22,026)	(26,398)
Other operating assets		(18,377)	(8,338)
Due from related organizations		(59,717)	(28,302)
Accounts payable and accrued expenses		22,761	15,370
Accrued salaries and related liabilities		(8,054)	16,067
Accrued interest payable		(457)	(552)
Other operating liabilities		27,709	44,892
Net cash provided by operating activities		140,341	206,662
Investing activities			
Acquisitions of property, plant, and equipment, net		(227,558)	(182,720)
Increase in investments, net		(58,183)	(39,412)
Decrease in assets limited as to use		65,061	20,726
Transfers to affiliates		(53,141)	(40,596)
Distribution from MSMC Realty Corporation		26,007	15,280
Distribution from MSMC Residential Realty LLC		262	654
Net cash used in investing activities		(247,552)	(226,068)
Financing activities			
Principal payments on long-term debt		(23,138)	(21,400)
Net donor-restricted contributions		35,797	36,023
Net cash provided by financing activities		12,659	14,623
Net decrease in cash and cash equivalents		(94,552)	(4,783)
Cash and cash equivalents at beginning of year		289,456	294,239
Cash and cash equivalents at end of year	\$	194,904	\$ 289,456

Non-cash investing and financing transaction

Purchase of leasehold condominium interest with promissory note payable of \$110,133 in 2014

Notes to Consolidated Financial Statements

December 31, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

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

The Hospital incurred costs of approximately \$1.5 million during 2014 related to the Transaction. These costs include costs of restructuring, legal fees, severance, consulting fees, and salaries for individuals who were hired for the sole purpose of assisting with analyses and coordination of merger-related activities. These costs are reflected in the accompanying consolidated statements of operations.

Notes to Consolidated Financial Statements (continued)

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

Principles of Consolidation

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

Related Organizations

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

Cash and Cash Equivalents

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

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

Patient Accounts Receivable/Allowance for Uncollectible

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

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

Notes to Consolidated Financial Statements (continued)

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

Investments

A substantial portion of the Hospital's investments are pooled for management purposes with those held by related entities. In 2014, custody of investments held in the investment pool was transferred to the Medical Center and the Medical Center was named as the owner of record of each of the investments; in prior years, the investment pool assets were held in custody of the various pool participants. Consequently, the Medical Center records all of the pooled investments in its financial statements, with a corresponding liability due to each of the participants in the investment pool for their respective share of the pooled investments; the pool participants report their respective share of the investment pool as "pooled investments". Investment earnings on the pooled investments are recorded by the pool participants, based on their pro rata share of the pool's investment returns.

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

Alternative investments (nontraditional, not readily marketable securities), carried in the investment pool, may consist of equity, debt, and derivatives both within and outside the U.S. in multi-strategy hedge funds, event-driven strategies, global investment mandates, distressed securities, and private funds. Alternative investment interests generally are structured such that the investment pool holds a limited partnership interest or an interest in an investment management company. The investment pool's ownership structure does not provide for control over the related investees and the investment pool's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Future funding commitments by members of the investment pool for alternative investments aggregated approximately \$208.4 million at December 31, 2015.

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

Notes to Consolidated Financial Statements (continued)

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

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

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

Investment Income

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

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

Inventories

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

Notes to Consolidated Financial Statements (continued)

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

Assets Limited as to Use

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

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain long-term financing. Amortization of these costs is provided using the effective interest method. See Note 5 for additional information relative to debt-related matters.

Property, Plant, and Equipment

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

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

Temporarily and Permanently Restricted Net Assets

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

Notes to Consolidated Financial Statements (continued)

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

Contributions

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

Unconditional Promises to Give

Unconditional promises to give are recorded when the gift is made known. A receivable is established and net assets are increased by the discounted value of the promises. Irrevocable trusts are recorded at the point of notification and are recorded as temporarily or permanently restricted as determined by the trust instruments. Estates are estimated and recorded at the conclusion of probate.

The Hospital is aware of numerous unconditional promises to give and estimates the year of receipt to the extent possible. The anticipated realizable value of the receivable, net of a present value discount of approximately \$0.2 million is reported within other assets in the accompanying 2015 consolidated statement of financial position as follows (in thousands):

2016	\$ 3,131
2017	1,881
2018	1,718
2019	1,204
2020	233
2021 and thereafter	17
	\$ 8,184

Notes to Consolidated Financial Statements (continued)

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

Performance Indicator

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. In the accompanying consolidated financial statements, estimates principally relate to the valuation of net accounts receivable, amounts due from and to third-party payors, the net carrying value of the Hospital's interest in the captive insurance program, estimated professional liabilities and related insurance recoveries receivable, and the carrying value of alternative investments. Management believes that the amounts recorded based on estimates and assumptions are reasonable and any differences between estimates and actual should not have a material effect on the Hospital's consolidated financial position. In 2015 and 2014, management realized revenue of approximately \$22.2 million and \$15.0 million, respectively, which was a result of settlements of prior years' third-party reimbursements and is reflected in the accompanying consolidated statements of operations as other items.

Tax Status

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

Reclassifications

Certain reclassifications have been made to 2014 balances previously reported in order to conform with the 2015 presentation.

Notes to Consolidated Financial Statements (continued)

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition*, and most industry-specific guidance. The FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers*, which deferred the effective dates of ASU 2014-09. Based on ASU 2015-04, the provisions of ASU 2014-09 are effective for the Hospital for annual reporting periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2016. The Hospital has not completed the process of evaluating the impact of ASU 2014-09 on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern*, that will require management of public and nonpublic companies to evaluate and disclose where there is substantial doubt about an entity's ability to continue as a going concern. The standard is effective for annual periods ending after December 15, 2016, and for annual periods thereafter. Early application is permitted.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the statement of financial position as a direct deduction from the corresponding debt liability rather than as an asset. This change will make the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected. The provisions of ASU 2015-03 are effective for the Hospital for annual reporting periods beginning after December 15, 2015, with retrospective application to all periods presented. Early application is permitted. The Hospital has not yet adopted ASU 2015-03. Adoption of ASU 2015-03 would result in the reclassification of deferred financing costs of \$7.0 million at December 31, 2015 to long-term debt in the accompanying consolidated financial statements.

Notes to Consolidated Financial Statements (continued)

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

In April 2015, the FASB issued ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software*. ASU 2015-05 requires the Hospital to determine whether a software contracting arrangement contains a software license element. If so, the related fees paid are accounted for as consistent with the acquisition of other software licenses; if not, the arrangement is accounted for as a service contract. The provisions of ASU 2015-05 are effective for the Hospital for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016. An entity adopting ASU 2015-05 may apply it either prospectively to new cloud computing arrangements or retrospectively. The Hospital has not adopted this ASU and does not believe it will have a material effect on the accompanying consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. ASU 2015-07 is effective for entities (other than public business entities) for fiscal years beginning after December 15, 2016, with retrospective application to all periods presented. Early adoption is permitted. The Hospital has elected to adopt ASU 2015-07 for the year ended December 31, 2015.

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

Notes to Consolidated Financial Statements (continued)

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

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

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

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

Patient service revenue for the years ended December 31, 2015 and 2014, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows:

	Third-Party	Self-Pay	Total all Payors
		(In Thousands)	
2015	\$ 2,039,856	\$ 25,080	\$ 2,064,936
2014	1,941,714	22,071	1,963,785

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

Notes to Consolidated Financial Statements (continued)

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

The Hospital's allowance for doubtful accounts totaled approximately \$62.6 million and \$54.5 million at December 31, 2015 and 2014, respectively. The allowance for doubtful accounts for self-pay patients was approximately 80.1% and 83.6% of self-pay accounts receivable as of December 31, 2015 and 2014, respectively. Overall, the total of self-pay discounts and write-offs did not change significantly in 2015. The Hospital did not experience significant changes in write-off trends and did not change its charity care policy in 2015.

Non-Medicare Payment

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

Medicare Payment

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

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

Notes to Consolidated Financial Statements (continued)

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

The current Medicaid, Medicare, and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2002 and for 2006 through 2009. Other years remain open for audit and settlement as are New York State Medicaid cost reports for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled and additional information is obtained. Additionally, noncompliance with such laws and regulations could result in fines, penalties, and exclusion from such programs. The Hospital is not aware of any allegations of noncompliance that could have a material adverse effect on the consolidated financial statements and believes that it is in compliance, in all material respects, with all applicable laws and regulations.

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

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party agreements. The significant concentrations of accounts receivable for services to patients include 17% from Medicare, 22% from Medicaid, 29% from managed care companies, and 32% from commercial insurance carriers and others at December 31, 2015 (18%, 24%, 30%, and 28%, respectively, in 2014).

In 2015, approximately 24% and 17% of the Hospital's net patient service revenue was from Medicare and Medicaid programs, respectively (approximately 24% and 18%, respectively, in 2014).

Uncompensated Care

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

Notes to Consolidated Financial Statements (continued)

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

Patients are eligible for the charity care fee schedule if they meet certain income tests. Furthermore, as part of its charity care and financial aid policy, the Hospital obtains and uses additional financial information for uninsured or underinsured patients who have not supplied the requisite information to qualify for charity care. The additional information obtained is used by the Hospital to determine whether to qualify patients for charity care and/or financial aid in accordance with the Hospital's policies. For accounting and disclosure purposes, charity care is considered to be the difference between the Hospital's customary charges and the sliding charity care fee schedule rates. Since payment of this difference is not sought, charity care allowances are not reported as revenue.

The Hospital's estimated costs for charity care were approximately \$38.3 million for 2015 and \$36.7 million for 2014. The cost of charity includes the direct and indirect cost of providing charity care services. The cost is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. Funds received from the New York State Indigent Care Pool to offset charity services provided totaled approximately \$13.0 million and \$14.6 million for the years ended December 31, 2015 and 2014, respectively. The charity care component of the indigent care pool payments is estimated utilizing a ratio of charity care charges to total charity care and bad debt charges applied to the indigent care pool reimbursement and excludes amounts designated for teaching programs.

Additionally, patients who do not qualify for sliding-scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at the Hospital's rates. Uncollected balances for these patients are categorized as bad debts. Total uncompensated care as a result of bad debts for all patient services approximated \$14.7 million in 2015 and \$15.0 million in 2014.

Vital Access Provider Safety Net Program and Medicaid Enhanced Rates

In September 2015, MSHG entered into an agreement with the NYSDOH to participate in the Vital Access Provider (VAP)/Safety Net Program. MSHG was awarded approximately \$81.4 million in VAP funding over three years. In addition, the NYSDOH agreed to provide certain MSHG member hospitals with a temporary Medicaid rate enhancement for three years. In accordance with the governing agreement, MSHG will submit quarterly reports to the NYSDOH, detailing how the VAP funds are being expended, in line with approved objectives, budgets, timelines and benchmarks.

Notes to Consolidated Financial Statements (continued)

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

In addition, MSHG has committed to complete a full asset merger of the Hospital, BIMC, SLR and NYEEI by no later than December 31, 2019. Revenue from the VAP program and the Medicaid enhanced rates is being recognized as funding is received over the term of the governing agreements. In 2015, the Hospital recognized approximately \$16.3 million of revenue associated with the Medicaid enhanced rates; such amounts were transferred to BIMC (see Note 10). In the event that conditions of the governing agreement are not met, funding associated with the VAP program and the enhanced Medicaid rates will be refundable to the NYSDOH.

3. Investments and Assets Limited as to Use

Investments are maintained as follows:

	December 31		
	 2015		2014
	(In Thousands)		
Pooled investments	\$ 697,713	\$	703,624
Non-pooled investments (Note 6)	 336,187		301,464
	\$ 1,033,900	\$	1,005,088

At December 31, 2015 and 2014, approximately \$13.4 million and \$27.9 million, respectively, of pooled investments is included in short-term investments. The non-pooled marketable (short-term) investments consist of money market funds and fixed income securities.

The following table summarizes the composition of the investment pool at December 31, 2015 and 2014; the Hospital's interests in the pooled investment components are proportionate based on the ratio of its pooled investment balance to the total of the pool.

Notes to Consolidated Financial Statements (continued)

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

	Decen	iber 31
	2015	2014
	(In The	ousands)
Cash and cash equivalents	\$ 22,604	\$ 54,166
Fixed income:		
Mutual funds	46,750	29,562
Equities:		
U.S. equities	102,417	102,272
Global equities	42,026	40,249
Non-U.S. equities	105,819	97,076
Alternative investments:		
Hedge funds:		
Long-only equity	174,087	160,584
Hedged equity ^(a)	230,276	208,936
Long/short credit ^(b)	46,276	45,909
Multi-strategy ^(c)	132,900	165,938
Open mandate ^(d)	285,752	300,245
Macro ^(e)	93,582	114,973
Private equity:		
Equity ^(f)	35,382	32,735
Credit/distressed ^(g)	93,842	123,673
Real assets ^(h)	56,895	33,515
	\$ 1,468,608	\$ 1,509,833

^(a) Investments, consisting primarily of publicly traded equity holdings with both long and short positions.

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

⁽c) Investments with lower correlations to stock and bond markets with a balanced mix of assets and strategies. Underlying exposures primarily include publicly traded equity and credit positions in event-driven, relative value, and various arbitrage strategies.

Notes to Consolidated Financial Statements (continued)

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

- (d) Investments with lower correlations to stock and bond markets. Underlying exposures primarily include publicly traded equity and credit positions with a fundamental value bias. Portfolios may reflect a tilt toward equity or credit positions, involve portfolio-level hedging, and hold large cash positions if value opportunities are not found
- (e) Investments focused on global macro dislocations rather than micro-driven opportunities. Holdings are both long and short in equity, fixed income, currency, and futures markets.
- (f) Investments targeting buyout, growth equity, and venture opportunities that require time to reach realization
- (g) Investments in structured credit, claims, distressed positions of either a minority or controlling interest that require time to reach realization.
- (h) Real estate, natural resources, and asset backed royalty investments that require time to reach realization

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

		2015	2014
	(In Thousands)		
Interest and dividend income	\$	6,071 \$	5,368
Net realized gains on sales of securities		51,555	31,115
Change in net unrealized gains and losses and			
change in value of alternative investments		(66,126)	35,696
Fees and other expenses		(4,695)	(4,614)
Total	\$	(13,195) \$	67,565
1 otal		(13,195) \$	6/,565

The Hospital was allocated a total investment return from the pool based on agreements among the pool participants and donor stipulations of approximately (\$10.4) million and \$25.7 million in 2015 and 2014, respectively.

Notes to Consolidated Financial Statements (continued)

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

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

		2015		2014
	(In Thousands)			ds)
Interest, dividend, and other income Net realized gains on sales of securities	\$	7,681 18,488	\$	6,546 9,914
	\$	26,169	\$	16,460
Net change in unrealized gains and losses on investments and change in value of alternative investments	\$	(29,371)	\$	16,787

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

		2015	2014
	(In Thousands)		
Assets held under long-term debt agreements:			
Construction funds	\$	3,725 \$	75,978
Debt service fund		11,057	9,611
Debt service reserve fund		37,211	37,209
Internally designated for debt service		10,318	9,860
Funded depreciation		1,503	1,503
Delivery System Reform Incentive Program – internally			
designated		5,286	_
	\$	69,100 \$	134,161

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

Notes to Consolidated Financial Statements (continued)

4. Property, Plant, and Equipment

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

		2015	2014
	(In Thousands)		
Land and improvements	\$	49,617 \$	49,617
Buildings and improvements		473,877	375,142
Condominium interest (<i>Note 5</i>)		110,133	110,133
Fixed equipment		586,760	564,449
Movable equipment		772,014	714,170
		1,992,401	1,813,511
Less leasehold interest of the School of Medicine		68,146	68,146
		1,924,255	1,745,365
Less accumulated depreciation and amortization		1,140,572	1,048,054
		783,683	697,311
Capital projects in progress (<i>Note 5</i>)		131,759	98,648
	\$	915,442 \$	795,959

The Hospital capitalizes costs incurred in connection with the development of internal use software or purchased software modified for internal use. In 2015 and 2014, approximately \$5.9 million and \$5.0 million was capitalized, respectively.

In 2015 and 2014, the Hospital wrote off approximately \$17.7 million and \$20.8 million, respectively, of fully depreciated assets that were no longer in use. In 2015 and 2014, movable equipment was adjusted by approximately \$17.7 million and \$20.8 million, respectively.

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

Notes to Consolidated Financial Statements (continued)

4. Property, Plant, and Equipment (continued)

At December 31, 2015 and 2014, approximately \$11.8 million is included in buildings and improvements representing amounts paid by the Hospital to the School of Medicine relating to a portion of a multipurpose building owned by the School of Medicine that is leased and used by the Hospital. Under the terms of a lease agreement relative to this space, the Hospital made payments of approximately \$4.4 million and \$4.6 million in 2015 and 2014, respectively, for its share of the operating costs.

Through December 31, 2015, the School of Medicine has transferred to the Hospital, and the Hospital paid for, approximately \$74.5 million in capital expenditures related to the Leon and Norma Hess Center for Science and Medicine project. The School of Medicine records the Hospital's leasehold interest as a reduction in cost. The amounts transferred represent the cost of facilities to be used by the Hospital.

The Hospital entered into a lease agreement with the School of Medicine for a portion of the Center for Advanced Medicine building that is used by the Hospital. At December 31, 2015 and 2014, approximately \$4.7 million is included in the accompanying consolidated statements of operations representing amounts paid by the Hospital to the School of Medicine relating to the portion of the building used by the Hospital. In each of 2015 and 2014, under the terms of this lease, the Hospital paid the School of Medicine approximately \$2.8 million in rent, based on the operating costs of the related portion of the building.

Future minimum rental commitments under various leases with the School of Medicine are approximately \$7.0 million in 2016; \$6.8 million in 2017; \$6.6 million in 2018; \$6.3 million in 2019; \$6.0 million in 2020 and \$54.2 million thereafter.

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

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt

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

		2015	2014
	(In Thousands)		
Series 2010 bonds; interest rates ranging from			
1.8% to 5.0% ^(a)	\$	274,680	\$ 293,235
Series 2011A bonds; interest rates ranging from			
3.0% to 5.0% ^(b)		61,315	62,480
Series 2013 bonds; interest rate of 2.83% ^(c)		112,000	112,000
Accounts receivable financing ^(d)		12,112	14,663
Promissory note payable, including deferred interest ^(e)		118,407	116,146
		578,514	598,524
Add net bond premium		8,886	10,366
Less current portion		28,366	23,027
	\$	559,034	\$ 585,863

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

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

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

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

- (d) The Hospital has a revolving, amortizing loan with a commercial bank that expired on October 21, 2013. Interest was payable at the 30-day London Interbank Offered Rate plus 0.5% on a quarterly basis; principal also was payable quarterly. The loan was refinanced to a fixed rate of 2.44% and expires on October 21, 2020. Interest and principal are due quarterly. Under the terms of the agreement, the Hospital is required to maintain certain financial ratios and was in compliance with these ratios at December 31, 2015 and 2014.
- (e) In August 2014, the Hospital entered into a transaction pursuant to which the Hospital obtained approximately 450,000 square feet of space located at 150 East 42nd Street to consolidate corporate services of MSHS. The space replaced existing leased and owned office space to provide additional capacity for clinical and research activities. A leasehold condominium interest was purchased by the Hospital and, shortly thereafter, transferred to a special-purpose, limited liability company formed by the Hospital (included in the accompanying consolidated financial statements). The purchase was financed through the issuance of a promissory note payable with a principal amount of \$110.1 million, interest at a rate of 8%, and payments beginning in June 2015 and ending in March 2046. Payment of interest was deferred from August 2014 until May 2015. The Hospital and the School of Medicine guaranteed, on a joint and several basis, all of the obligations of the Hospital which include note payments, operating expenses and other carrying costs and charges, some of which escalate annually. The property is collateral for the related financing. In connection with this transaction, the seller/landlord provided the Hospital with a leasehold improvement/tenant allowance of approximately \$35.3 million, which was recorded in the accompanying consolidated statement of financial position as part of capital projects in process and other long-term liabilities at December 31, 2014. In 2015, the total amount of the leasehold improvement/tenant allowance was transferred from capital projects in process to buildings and improvements. Amortization of the leasehold improvement/tenant allowance commenced in 2015.

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

Common charges for the 150 East 42nd Street leasehold condominium property subsequent to December 31, 2015 are as follows (in thousands):

2016	\$	6,865
2017		6,865
2018		6,865
2019		7,268
2020		7,268

As security for its obligations under the Series 2010, Series 2011A, and Series 2013 bonds, the Hospital provided a gross revenue pledge and executed a mortgage on its patient care property. Furthermore, the Hospital agreed to limitations on its ability to transfer assets, borrow additional funds, as well as other limitations. The Hospital agreed to maintain certain financial ratios, including a debt service coverage ratio, days cash-on-hand ratio, and to maintain certain debt service and other reserve funds (included in assets limited as to use). The ratios are calculated semiannually. At December 31, 2015 and 2014, the Hospital was in compliance with the required financial ratios.

Principal payments on long-term debt subsequent to December 31, 2015 are as follows (in thousands):

2016	\$ 28,366
2017	29,633
2018	30,965
2019	31,963
2020	34,056
Thereafter	432,418

Interest paid for the years ended December 31, 2015 and 2014 aggregated approximately \$16.9 million and \$17.7 million, respectively. In 2015, the Hospital capitalized net interest of approximately \$4.1 million relating to construction activity in progress (\$3.5 million in 2014).

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

Future minimum lease payments under noncancelable operating leases, excluding leases with related parties (see Notes 4 and 10), with initial or remaining terms of one year or more at December 31, 2015 consisted of the following (in thousands):

2016	\$ 746
2017	510
2018	 510
Total minimum lease payments	\$ 1,766

Rental expense to unrelated parties approximated \$18.7 million in each of 2015 and 2014.

6. Professional Liabilities Insurance Program

Beginning in April 1977, primary coverage of professional and general liability incidents has been provided through participation in a pooled program with certain other health care facilities (principally hospitals) affiliated with the Federation of Jewish Philanthropies of New York (FOJP). This occurrence-basis insurance coverage participation is with captive insurance companies and commercial insurance companies. The Hospital follows the equity method of accounting for its investment in the captive insurance company associated with its medical malpractice insurance program. Additionally, in connection with the pooled insurance program, the Hospital has recognized the present value of its allocated share of a portion of the program's accumulated surplus.

The aggregate net carrying value of the Hospital's interests in the insurance program was approximately \$147.9 million and \$125.0 million at December 31, 2015 and 2014, respectively, which is included in other investments in the accompanying consolidated statements of financial position.

The Hospital, as part owner of its malpractice captive, guarantees a certain level of investment return. At December 31, 2015, the Hospital has a liability for the difference between the 2015 guaranteed and actual returns of approximately \$19.2 million (\$6.1 million at December 31, 2014).

Notes to Consolidated Financial Statements (continued)

6. Professional Liabilities Insurance Program (continued)

The undiscounted estimate of professional liabilities and the estimate for incidents that have been incurred but not reported is included in professional liabilities in the accompanying consolidated statements of financial position at the actuarially determined present value of approximately \$228.6 million (\$218.5 million at December 31, 2014), based on a discount rate of 3% at December 31, 2015 and 2014. The Hospital has recorded related insurance recoveries receivable of approximately \$228.6 million at December 31, 2015 (\$218.5 million at December 31, 2014), in consideration of the expected insurance recoveries. The current portion of professional liabilities and the related insurance recoveries receivable represent an estimate of expected settlements and insurance recoveries over the next 12 months.

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

In February 2014, the FOJP program and the various affiliated captive insurance companies began an internal investigation into several insurance regulatory and related matters that had come to the attention of the FOJP companies' management. The FOJP companies, at the direction of their Boards, engaged independent legal counsel and an independent forensic consulting firm to conduct an investigation into various matters. The FOJP companies and legal counsel reported the preliminary investigative findings to the New York State Department of Financial Services (DFS), the primary State insurance regulator. DFS also is conducting an investigation into the issues that were raised and related matters. The FOJP companies and DFS are engaged in ongoing discussions regarding the consequences, if any, of past activities identified in the investigation, appropriate remediation and potential impact on the future operations of the FOJP companies. As of December 31, 2015, the Hospital has accrued an estimate of potential liabilities in connection with this matter; however, it is not possible to predict the final outcome of the investigations or actions DFS or other regulators might take in response. It is possible that an adverse outcome with respect to this matter could have a material adverse effect on the Hospital's consolidated financial position, exceeding amounts accrued in the financial statements, although such outcome cannot be estimated at this time.

Notes to Consolidated Financial Statements (continued)

7. Pension and Similar Plans and Other Postretirement Benefits

The Hospital provides pension and similar benefits to its employees through several defined benefit multiemployer union plans and tax sheltered annuity plans. Payments to the tax sheltered annuity plans are generally based on percentages of annual salaries. It is the Hospital's policy to fund accrued costs under these plans on a current basis. The Hospital's pension expense under all plans for the years ended December 31, 2015 and 2014 aggregated approximately \$61.1 million and \$61.3 million, respectively.

Additionally, the Hospital and the School of Medicine jointly offer a 457(b) plan to certain of their respective employees. Contributions, through payroll deductions, are made solely by the employees. The contributions are maintained in individual accounts held by a custodian and remain an asset and liability of the employer until the participant terminates employment. At December 31, 2015 and 2014, approximately \$8.4 million and \$7.4 million, respectively, is included in other assets and other liabilities in the accompanying consolidated statements of financial position related to the 457(b) plan.

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

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

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

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

Notes to Consolidated Financial Statements (continued)

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

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

		2015		2014
	(In Thousands)			nds)
Reconciliation of the benefit obligation				
Obligation at January 1	\$	20,368	\$	17,518
Service cost		265		235
Interest cost		844		837
Actuarial net (gain) loss		(1,513)		3,575
Benefit payments		(1,551)		(1,797)
Obligation at December 31	\$	18,413	\$	20,368
Funded status				
Net amount recognized – current portion	\$	1,354	\$	1,455
Net amount recognized – long-term portion		17,059		18,913
Total	\$	18,413	\$	20,368

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

	 2015	2014
	(In Thous	ands)
Postretirement benefits		
Unrecognized prior service cost	\$ 23 \$	23
Unrecognized actuarial (gain) loss	(2,046)	3,224
Total	\$ (2,023) \$	3,247

Notes to Consolidated Financial Statements (continued)

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

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

	2015	5	2014
	$\overline{\hspace{1cm}}$	n Thousan	nds)
Postretirement benefits			
Unrecognized prior service credit	\$	(47) \$	(70)
Unrecognized actuarial loss	5	,639	7,685
	\$ 5	,592 \$	7,615

The estimated amount to be recognized in 2016 is \$351,000.

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

2016	\$ 1,354
2017	1,394
2018	1,435
2019	1,452
2020	1,449
2021 to 2025	6,745

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

	 2015		2014
	(In The	ousan	eds)
Service cost	\$ 265	\$	235
Interest cost on projected benefit obligation	844		837
Net amortization	511		327
Total net periodic postretirement cost	\$ 1,620	\$	1,399

The weighted-average discount rate used in the measurement of the Hospital's benefit obligation was 4.41% and 4.22% for 2015 and 2014, respectively. The weighted-average discount rate used in the measurement of net periodic postretirement cost was 4.22% for 2015 and 4.61% for 2014.

Notes to Consolidated Financial Statements (continued)

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

For measurement purposes relative to 2015, an annual rate of increase in the per capita cost of covered health care benefits was assumed to be initially 8%, grading down to an ultimate rate of 5% in 2022. A 5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2015.

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

		20	15			20	14	
	1% I	ncrease	1%	Decrease	1%	Increase	1%	Decrease
				(In Tho	usanc	ds)		
Effect on total of service and interest cost components of net periodic postretirement cost	\$	12	\$	(11)	\$	11	\$	(9)
Effect on the health care component of the accumulated benefit obligation		209		(192)		306		(280)
ochem obligation		209		(1)2)		300		(200)

8. Temporarily and Permanently Restricted Net Assets

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

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

Notes to Consolidated Financial Statements (continued)

8. Temporarily and Permanently Restricted Net Assets (continued)

donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; (6) the expected total return from income and the appreciation of investments; (7) other resources of the Hospital; and (8) the investment and spending policies of the Hospital. The Hospital's policies provide the guidelines for setting the annual spending rate (5%) and the treatment of any investment returns in excess of the annual spending rate. The endowment spend rate is calculated on the average three-year rolling market value of each endowed fund. Any excess investment returns beyond the spending rate, to the extent available, are added to the endowed fund and classified as temporarily restricted net assets, unless also appropriated for expenditure. The Hospital expends the income distributed from certain restricted assets on an annual basis in support of health care services (2015 and 2014 distributions totaled approximately \$29.9 million and \$44.8 million, respectively).

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

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

Notes to Consolidated Financial Statements (continued)

8. Temporarily and Permanently Restricted Net Assets (continued)

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

	 2015		2014
	(In The	ousa	nds)
Plant replacement and plant operating funds	\$ 477	\$	1,833
Other specific-purpose funds	76,465		74,367
	\$ 76,942	\$	76,200

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

	2015		2014
	(In The	ousai	nds)
Investments to be held in perpetuity, the income from which is restricted for School of Medicine research and other purposes Investments to be held in perpetuity, the income from	\$ 27,137	\$	27,137
which is unrestricted as to use	50,154		49,795
	\$ 77,291	\$	76,932

During 2015 and 2014, temporarily restricted net assets were released from restrictions as follows:

	2015		2014
(In Thousands)			
\$	12,245	\$	9,797
	22,451		19,600
\$	34,696	\$	29,397
	\$ \$	(In The \$ 12,245 22,451	(In Thousand \$ 12,245 \$ 22,451

Notes to Consolidated Financial Statements (continued)

9. Functional Expenses

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

	 2015	2014
	(In The	ousands)
Health care-related services General and administrative	\$ 1,759,023 262,842	\$ 1,689,329 253,910
	\$ 2,021,865	\$ 1,943,239

10. Related Organizations

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

		2015	2014
		(In Thousa	nds)
The School of Medicine, net ^(a)	\$	193,817 \$	132,674
MSMC Realty Corporation (Realty Corp.) ^(b)		(1,797)	(1,228)
MSMC Residential Realty LLC (MSMCRRC) ^(c)		232	387
The Mount Sinai Hospital Auxiliary Board		70	119
The Mount Sinai Medical Center, Inc. (d)		681	720
Beth Israel Medical Center ^(e)		(344)	2,361
The St. Luke's-Roosevelt Hospital Center ^(f)		6,530	5,549
New York Eye and Ear Infirmary ^(g)		3,347	1,089
Total due from related organizations	\$	202,536 \$	141,671

⁽a) Transactions charged (at cost) by the Hospital to the School of Medicine totaling approximately \$1.3 billion in 2015 (\$1.1 billion in 2014), include payroll and benefits charges (93%) and various other shared services (7%). Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to the School of Medicine. Accordingly, the Hospital

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

recognizes the actuarially determined liability (included in accrued salaries and related liabilities) for unreported health claims on behalf of the School of Medicine. These claims are reported as expenses on the School of Medicine's financial statements.

Additionally, the Hospital purchases professional services from the School of Medicine for the clinical care of its patients, teaching and supervision of its residents, the performance of certain administrative functions, and various strategic initiatives. The Hospital paid approximately \$226.9 million and \$206.1 million in 2015 and 2014, respectively, for these services.

At December 31, 2015 and 2014, the Hospital was owed approximately \$29.2 million by the School of Medicine in relation to capital building projects.

The Hospital transferred \$0.2 million and \$4.0 million in 2015 and 2014, respectively, to Mount Sinai Care, LLC (the ACO), of which the School of Medicine is the sole member. The ACO was organized to operate as an accountable care organization.

(b) The payable to Realty Corp. primarily relates to property, equipment and office space rental transactions, as well as other administrative transactions. All of Realty Corp.'s income collected, net of expenses and reasonable estimates of anticipated liabilities, was distributed to the Hospital in 2015 and 2014 (approximately \$1.1 million and \$3.6 million, respectively), in accordance with an agreement among Realty Corp.'s members (included in investment income). Additionally, Realty Corp. distributed approximately \$26.0 million and \$15.3 million in 2015 and 2014, respectively, to the Hospital from the proceeds on the sale of real estate.

The Hospital has entered into a lease agreement for the rental of certain property and equipment from Realty Corp. for a term of 30 years. Rental expense in 2015 and 2014, relative to the lease agreement with Realty Corp., was approximately \$1.9 million in 2015 and \$4.3 million in 2014. Future minimum rental commitments under the lease are approximately \$0.6 million in 2016; \$0.4 million in 2017; \$0.4 million in 2018; \$0.4 million in 2019; \$0.4 million in 2020; and \$0.6 million thereafter.

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

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

	 2015		2014
	(In The	ousa	nds)
Total assets	\$ 25,874	\$	25,878
Total liabilities	(20,876))	(20,880)
Net assets	\$ 4,998	\$	4,998

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

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

During 2015, MSMCRRC distributed approximately \$0.3 million to the Hospital which was subsequently distributed to the School of Medicine (\$0.7 million in 2014).

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

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

	 2015	2014
	(In Thou	sands)
Total assets	\$ 106,263	5 103,928
Total liabilities	 (148,644)	(148,763)
Net deficit	\$ (42,381)	(44,835)

⁽d) During 2014, the Hospital transferred approximately \$0.7 million of planned giving assets to the Mount Sinai Medical Center.

During 2010, 8 East 102nd Street LLC was formed under the New York State Limited Liability Company Law for the sole purpose of supporting its member corporation by managing, maintaining, holding, developing, acquiring, or disposing of real property for its benefit. The School of Medicine, the Medical Center, and the Hospital are the members of 8 East 102nd

⁽e) Transactions charged (at cost) by the Hospital to BIMC, totaling approximately \$26.4 million in 2015 (\$17.2 million in 2014), include payroll and benefits charges (56%) and various other shared services (44%). Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to BIMC.

⁽f) Transactions charged (at cost) by the Hospital to SLR, totaling approximately \$34.5 million in 2015 (\$18.2 million in 2014), include payroll and benefits charges (73%) and various other shared services (27%). Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to SLR.

⁽g) Transactions charged (at cost) by the Hospital to NYEEI, totaling approximately \$3.8 million in 2015 (\$2.0 million in 2014), include payroll and benefits charges (71%) and various other shared services (29%). Included in the benefits charges are certain employee health plan claims and premiums, which are paid by the Hospital and, subsequently, charged to BIMC.

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

Street Manager LLC (the Manager), which is the sole member of 8 East 102nd Street LLC. The Hospital guarantees a letter of credit which supports bonds issued by 8 East 102nd Street LLC; the debt had an outstanding balance of approximately \$143.7 million at December 31, 2015 and 2014.

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

The School of Medicine, the Hospital, and the Medical Center, as members of the Manager, have agreed to distribute the net activities of the Manager (which, as the sole member of 8 East 102nd Street LLC, reflects the net activities of 8 East 102nd Street LLC) solely to the School of Medicine. This agreement includes equity in income or loss of the Manager, as well as cash distributions. Accordingly, the Hospital transferred equity in income of related party of approximately \$1.1 million and \$0.5 million to the School of Medicine in 2015 and 2014, respectively. The Manager distributed approximately \$8.5 million and \$9.8 million in 2015 and 2014, respectively, to the School of Medicine derived from its net activities.

Summarized financial information for 8 East 102nd Street Manager LLC at December 31, 2015 and 2014 is as follows:

	 2015	2014
	(In Thouse	ands)
Total assets Total liabilities	\$ 124,287 \$ (144,763)	130,264 (146,625)
Members' deficit (including noncontrolling interest of \$2,960 in 2015 and \$1,798 in 2014)	\$ (20,476) \$	(16,361)

Notes to Consolidated Financial Statements (continued)

10. Related Organizations (continued)

The Provider Partners of Mount Sinai IPA, LLC (the IPA) was formed in 2014 for the purpose of contracting for the delivery of health services by contract between the IPA and one or more managed care organizations. The members of the IPA are the Hospital, BIMC, SLR and NYEEI. During 2015 and 2014, the Hospital incurred costs of approximately \$0.4 million related to the Hospital's share of the IPA deficit.

Transfers to Affiliates

Transfers to affiliates represent the Hospital's funding of the School of Medicine's community practice plan deficits (approximately \$36.2 million in each of 2015 and 2014) and transfers in 2015 of approximately \$0.2 million to the ACO (\$4.0 million in 2014), \$0.4 million to the IPA (\$0.4 million in 2014), and \$16.3 million to BIMC for Medicaid enhanced rates (see Note 2).

11. Commitments and Contingencies

Litigation

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

Collective Bargaining Agreements

Approximately 61% of the Hospital's employees are union employees who are covered under the terms of various collective bargaining agreements. The League of Voluntary Hospitals and Homes of New York, which negotiates the 1199 contract on behalf of the Hospital, or 1199SEIU, can elect to terminate this contract on or after July 15, 2014; otherwise, the contract will expire on September 30, 2018. The Hospital's contract with NYSNA expires on December 31, 2018.

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

Other

The Hospital is self-insured, based on individual employees' elections, for medical, dental, and pharmaceutical benefits. The Hospital also is self-insured for unemployment benefits. Liabilities have been accrued at December 31, 2015 and 2014, based on expected future payments pertaining to such years (included in accrued salaries and related liabilities).

12. Fair Values of Financial Instruments

For assets and liabilities requiring fair value measurement, the Hospital measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Hospital follows a fair value hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

Notes to Consolidated Financial Statements (continued)

12. Fair Values of Financial Instruments (continued)

Financial assets carried at fair value by the Hospital as of December 31, 2015 and 2014 are classified in the tables below in one of the three categories described above:

	December 31, 2015							
		Level 1		Level 2		Level 3		Total
				(In The	ouse	ands)		
Cash and cash equivalents	\$	219,810	\$	_	\$	_	\$	219,810
U.S. government obligations		_		112,516		_		112,516
Corporate bonds		_		93,056		_		93,056
	\$	219,810	\$	205,572	\$	_		425,382
Investments measured at NAV as a practical expedient:								
Pooled investments								697,713
							\$	1,123,095
		December 31, 2014						
				Decembe	r 3	1, 2014		
		Level 1		December Level 2	er 3	1, 2014 Level 3		Total
		Level 1				Level 3		Total
Cash and cash equivalents	\$	Level 1 309,378	\$	Level 2		Level 3	\$	Total 309,378
Cash and cash equivalents U.S. government obligations	\$		\$	Level 2	ouse	Level 3	\$	
-	\$		\$	Level 2 (In The	ouse	Level 3	\$	309,378
U.S. government obligations	\$		\$	Level 2 (In The	ouse	Level 3	\$	309,378 180,150
U.S. government obligations		309,378 - -		Level 2 (In The 180,150 94,333	ouse \$	Level 3	\$	309,378 180,150 94,333
U.S. government obligations Corporate bonds Investments measured at NAV as a practical		309,378 - -		Level 2 (In The 180,150 94,333	ouse \$	Level 3	\$	309,378 180,150 94,333

The table does not include other investments that are not carried at fair value (approximately \$174.8 million and \$141.2 million at December 31, 2015 and 2014, respectively).

Notes to Consolidated Financial Statements (continued)

12. Fair Values of Financial Instruments (continued)

The following is a summary of total investments (by major category) in the investment pool with restrictions to redeem the investments at the measurement date, any unfunded capital commitments, and investment strategies of the investees as of December 31, 2015:

Description of Investment	Carrying Value	Unfunded Commitments		Redemption Frequency	Notice Period	Funds Availability	
	(In Thousands)					_	
Hedge funds:							
Long-only equity	\$ 174,087	\$	_	Monthly/5 years	30 to 90 days	3 to 30 days	
Hedged equity	230,276		_	Quarterly/rolling 3 years	30 to 90 days	30 to 45 days	
Long/short credit	46,276		_	Annually	90 days	30 days	
Multi-strategy	132,900		_	Quarterly	60 to 90 days	30 days	
Open mandate	285,752		_	Quarterly/annually	60 to 90 days	15 to 30 days	
Macro	93,582		_	Monthly/quarterly	30 to 90 days	30 days	
Private investments:					•	•	
Equity	35,382		71,109	N/A	N/A	N/A	
Credit/distressed	93,842		11,762	Monthly and N/A	30 days and N/A	180 days and N/A	
Real assets	56,895		125,517	Ň/A	N/A	N/A	
	\$ 1,148,992	\$ 208,388					

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

	 2015				2014			
	 Fair		Carrying		Fair		Carrying	
	 Value		Value		Value		Value	
		(In Thousands)						
Long-term debt	\$ 625,983	\$	587,400	\$	642,934	\$	608,890	

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

Notes to Consolidated Financial Statements (continued)

13. Medical Residents FICA Tax Refund

In March 2010, the Internal Revenue Service (IRS) announced that, for periods ending before April 1, 2005, medical residents would be eligible for the student exception of Federal Insurance Contributions Act (FICA) taxes. Under the student exception, FICA taxes do not apply to wages for services performed by students employed by a school, college, or university where the student is pursuing a course of study. As a result, the IRS allowed refunds for institutions that filed timely FICA refund claims and provided certain information to meet the requirements of perfection, established by the IRS, for their claims applicable to periods prior to April 1, 2005. Institutions are potentially eligible for medical resident FICA refunds for both the employer and employee portions of FICA taxes paid, plus statutory interest.

The Hospital's appeal for a FICA medical residents refund for the years 1995 through 2005 was approved by the IRS in 2012. As a result of this successful appeal, the Hospital recognized \$5.2 million of revenue in 2014, which was recorded as an other item in the accompanying consolidated statement of operations.

14. Multiemployer Pension Plans

The Hospital contributes to three multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Hospital's participation in these plans for the years ended December 31, 2015 and 2014 is outlined in the table below. The "EIN Number" column provides the Employer Identification Number (EIN). Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2015 and 2014 is for a plan's year-end at December 31, 2014 and 2013,

Notes to Consolidated Financial Statements (continued)

14. Multiemployer Pension Plans (continued)

respectively. The zone status is based on information that the Hospital received from the plans and is certified by the plans' actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

	EIN	Plan		otection Act Status	FIP/RP Status Pending/		outions by lospital	Surcharge	Expiration Date of Collective- Bargaining
Pension Fund	Number	Number	2015	2014	Implemented	2015	2014	Imposed	Agreement
						(In Th	ousands)		
New York State Nurses Association Pension Plan 1199 SEIU Health Care	13-6604799	001	Green as of 1/01/2015	Green as of 1/01/2014	No	\$ 18,506	\$ 17,854	No	12/31/2018
Employees Pension Fund	13-3604862	001	Green as of 1/01/2015 Red as of	Green as of 1/01/2014 Red as of	No	23,200	24,279	No	09/30/2018
Local 32BJ SEIU	13-1879376	001	7/01/2015	7/01/2014	Yes	199	179	No	04/20/2018

The Hospital was listed in the New York State Nurses Association Pension Plan's Forms 5500 as providing more than 5% of the total contributions during each of the plan's 2014 and 2013 plan years. Forms 5500 are not yet available for the plan years ended in 2015.

15. Subsequent Events

For purposes of the accompanying consolidated financial statements, the Hospital has considered for accounting and disclosure events that occurred through March 31, 2016, the date the consolidated financial statements were issued. There were no subsequent events or transactions that either resulted in recognition in the accompanying consolidated financial statements or required additional disclosure.

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