



Financial and Statistical Data
for the Six Months ended June 30, 2017

Interim Unaudited

Consolidated Balance Sheets

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ORANGE REGIONAL MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2017 and December 31, 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 29,677,784	26,092,615
Patient accounts receivable less allowance for uncollectible accounts of \$79,358,313 in 2017 and \$78,648,514 in 2016	55,327,236	51,002,654
Investments	49,812,995	48,058,622
Assets limited or restricted as to use	8,317,334	11,759,500
Due from third-party payors	3,642,572	3,494,349
Other current assets	24,088,156	19,365,450
Total current assets	170,866,077	159,773,190
Assets limited or restricted as to use, net	24,296,165	28,016,935
Long-term investments	27,866,308	27,202,097
Property and equipment, net	313,457,421	320,737,115
Interest in net assets of Orange Regional Medical Center Foundation, Inc., net	7,619,325	7,195,560
Insurance claims receivable	20,689,061	20,689,061
Due from third-party payors, net	8,051,305	5,005,236
Other assets, net	9,096,862	9,096,862
Total assets	\$ 581,942,524	577,716,056
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt and capital lease obligations	\$ 9,608,174	7,713,767
Accounts payable and accrued expenses	63,604,808	60,067,965
Estimated third-party payor liabilities	1,531,552	831,908
Total current liabilities	74,744,534	68,613,640
Long-term debt and capital lease obligations, net of current installments	313,282,974	293,646,406
Estimated third-party payor liabilities, net of current portion	23,057,483	23,057,483
Estimated malpractice liabilities	24,387,214	24,387,214
Other liabilities	11,398,292	10,868,897
Accrued retirement benefits, net of current portion	51,384,131	53,805,466
Total liabilities	498,254,628	474,379,106
Net assets:		
Unrestricted	73,605,929	93,669,313
Temporarily restricted	8,088,203	7,673,873
Permanently restricted	1,993,764	1,993,764
Total net assets	83,687,896	103,336,950
Total liabilities and net assets	\$ 581,942,524	577,716,056

ORANGE REGIONAL MEDICAL CENTER

Consolidated Statements of Operations

Six months and three months ended June 30, 2017 and 2016

	YEAR TO DATE		QUARTER TO DATE	
	2017	2016	2017	2016
Unrestricted revenues, gains, and other support:				
Patient service revenue, less contractual and other allowances	\$ 242,225,737	233,114,154	\$ 123,858,702	116,439,280
Provision for bad debts, net of recoveries	(9,261,225)	(7,907,028)	(5,156,494)	(3,876,464)
Net patient service revenue	232,964,512	225,207,126	118,702,208	112,562,816
Investment income	3,041,489	2,366,640	1,373,989	1,437,676
Other revenue	3,966,989	3,170,775	2,392,946	1,548,699
Net assets released from restrictions, used for operations	10,268	1,253	4,246	383
Total unrestricted revenues, gains, and other support	239,983,258	230,745,794	122,473,389	115,549,574
Expenses:				
Salaries and wages	85,177,065	77,789,677	43,082,086	38,958,371
Employee benefits	34,553,498	34,258,825	17,094,524	17,072,580
Supplies	44,687,087	41,317,982	22,864,361	21,430,694
Purchased services and other	47,960,888	45,304,075	24,745,910	23,138,590
Interest	7,532,303	7,671,087	3,270,824	3,925,795
Depreciation and amortization	13,344,131	13,252,848	6,550,824	6,608,046
Total expenses	233,254,972	219,594,494	117,608,529	111,134,077
Income from operations	6,728,286	11,151,300	4,864,860	4,415,497
Nonoperating gains:				
Nonoperating income	242,207	174,677	218,799	162,437
Loss on extinguishment of debt	(27,346,895)	-	-	-
(Deficiency) excess of unrestricted revenues, gains, and other support over expenses	(20,376,402)	11,325,977	5,083,659	4,577,934
Other changes in net assets:				
Net assets released from restrictions, used for property and equipment	-	82,309	-	82,309
Transfer from Greater Hudson Valley Health Systems, Inc., net	313,018	937,070	475,954	480,433
(Decrease) increase in unrestricted net assets	\$ (20,063,384)	12,345,356	5,559,613	5,140,676

ORANGE REGIONAL MEDICAL CENTER

Consolidated Statements of Cash Flows

Six months and three months ended June 30, 2017 and 2016

	YEAR TO DATE		QUARTER TO DATE	
	2017	2016	2017	2016
Cash flows from operating activities:				
(Decrease) increase in net assets	\$ (19,649,054)	13,571,489	\$ 5,692,429	5,839,057
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:				
Net realized and unrealized gains on investments	(2,057,752)	(1,579,068)	(829,337)	(966,285)
Depreciation and amortization	13,344,131	13,252,848	6,550,824	6,608,046
Loss on extinguishment of debt	27,346,895	-	-	-
Amortization of cost of issuance	198,299	325,297	110,730	202,785
Amortization of deferred revenue	-	(314,076)	-	(157,038)
Restricted contributions and restricted income, net	(653)	(2,549)	(9,157)	(1,648)
Provision for bad debts, net of recoveries	9,261,225	7,907,028	5,156,494	3,876,464
Transfer from Greater Hudson Valley Health System, Inc., net	(313,018)	(937,070)	(475,954)	(480,433)
Change in interest in net assets of Orange Regional Medical Center Foundation, Inc.	(423,765)	(1,307,147)	(127,725)	(779,424)
Changes in assets and liabilities:				
Patient accounts receivable	(13,585,807)	(16,316,893)	(9,492,637)	(6,407,704)
Other current assets	(4,722,706)	2,372,626	215,087	4,982,345
Due from third-party payors	(3,194,292)	(1,020,062)	(2,337,307)	(1,578,151)
Accounts payable and accrued expenses	8,955,967	(5,389,580)	(306,538)	(12,960,775)
Estimated third-party payor liabilities	699,644	(1,317,103)	347,885	(1,133,563)
Other liabilities, net	529,395	476,618	142,586	257,780
Accrued retirement benefits	(2,421,335)	(2,692,975)	(1,210,668)	(1,252,975)
Net cash provided by (used in) operating activities	13,967,174	7,029,383	3,426,712	(3,951,519)
Cash flows from investing activities:				
Purchase of property and equipment	(6,064,437)	(8,454,197)	(3,863,658)	(4,422,561)
Purchases of investments and assets limited or restricted as to use	(65,496,991)	(140,535,617)	(29,709,868)	(77,547,879)
Sales of investments and assets limited or restricted as to use	46,554,984	164,048,511	32,316,387	99,116,216
Cash paid for capital expenditures related to construction project	(3,394,694)	(32,533,137)	(1,974,271)	(18,781,048)
Net cash used in investing activities	(28,401,138)	(17,474,440)	(3,231,410)	(1,635,272)
Cash flows from financing activities:				
Payment of long-term debt	(232,712,290)	(274,249)	(746,266)	(238,404)
Proceeds from long-term debt	253,825,171	-	-	-
Payment of bond issuance costs	(3,407,419)	-	(161,655)	-
Transfer from Greater Hudson Valley Health System, Inc., net	313,018	937,070	475,954	480,433
Proceeds from restricted contributions and restricted income, net	653	2,549	9,157	1,650
Net cash provided by (used in) financing activities	18,019,133	665,370	(422,810)	243,679
Net increase (decrease) in cash and cash equivalents	3,585,169	(9,779,687)	(227,508)	(5,343,112)
Cash and cash equivalents at beginning of period	26,092,615	43,079,841	29,905,292	38,643,268
Cash and cash equivalents at end of period	\$ 29,677,784	33,300,154	\$ 29,677,784	33,300,156

Supplemental disclosures of noncash investing and financing activities:

Cash paid during the year for interest, including capitalized interest	\$ 4,718,324	9,101,544	\$ 4,652,253	9,101,544
Allocated expense from Greater Hudson Valley Health System, Inc.	2,250,000	2,250,000	1,125,000	1,125,000
Increase in accounts payable and accrued expenses for capital expenditures related to construction project	-	8,450,960	-	-

ORANGE REGIONAL MEDICAL CENTER
Consolidated Statements of Changes in Net Assets
Six months ended June 30, 2016 and June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at December 31, 2015	\$ 88,655,286	7,117,726	1,993,764	97,766,776
Excess of unrestricted revenues, gains, and other support over expenses	11,325,977	-	-	11,325,977
Net assets released from restrictions, used for operating purposes	-	(1,253)	-	(1,253)
Net assets released from restrictions, used for property and equipment	82,309	(82,309)	-	-
Transfer from Greater Hudson Valley Health System, Inc., net	937,070	-	-	937,070
Change in interest in net assets of Orange Regional Medical Center Foundation, Inc.	-	1,307,147	-	1,307,147
Investment income, net	-	2,549	-	2,549
Total changes in net assets	12,345,356	1,226,134	-	13,571,490
Net assets at June 30, 2016	\$ 101,000,642	8,343,860	1,993,764	111,338,266

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at December 31, 2016	\$ 93,669,313	7,673,873	1,993,764	103,336,950
(Deficiency) excess of unrestricted revenues, gains, and other support over expenses	(20,376,402)	-	-	(20,376,402)
Net assets released from restrictions, used for operating purposes	-	(10,268)	-	(10,268)
Transfer from Greater Hudson Valley Health System, Inc., net	313,018	-	-	313,018
Change in interest in net assets of Orange Regional Medical Center Foundation, Inc.	-	423,765	-	423,765
Investment income, net	-	833	-	833
Total changes in net assets	(20,063,384)	414,330	-	(19,649,054)
Net assets at June 30, 2017	\$ 73,605,929	8,088,203	1,993,764	83,687,896

ORANGE REGIONAL MEDICAL CENTER
Consolidated Statements of Changes in Net Assets
Three months ended June 30, 2016 and June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at March 31, 2016	\$ 95,859,965	7,645,479	1,993,764	105,499,208
Excess of unrestricted revenues, gains, and other support over expenses	4,577,934	-	-	4,577,934
Net assets released from restrictions, used for operating purposes	-	(383)	-	(383)
Net assets released from restrictions, used for property and equipment	82,309	(82,309)	-	-
Transfer from Greater Hudson Valley Health System, Inc., net	480,433	-	-	480,433
Change in interest in net assets of				-
Orange Regional Medical Center Foundation, Inc.	-	779,424	-	779,424
Investment income, net	-	1,649	-	1,649
Total changes in net assets	<u>5,140,676</u>	<u>698,381</u>	<u>-</u>	<u>5,839,057</u>
Net assets at June 30, 2016	<u>\$ 101,000,641</u>	<u>8,343,860</u>	<u>1,993,764</u>	<u>111,338,265</u>

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at March 31, 2017	\$ 68,046,316	7,955,387	1,993,764	77,995,467
Excess of unrestricted revenues, gains, and other support over expenses	5,083,659	-	-	5,083,659
Net assets released from restrictions, used for operating purposes	-	(4,246)	-	(4,246)
Transfer to Greater Hudson Valley Health System, Inc., net	475,954	-	-	475,954
Change in interest in net assets of				
Orange Regional Medical Center Foundation, Inc.	-	127,725	-	127,725
Investment income, net	-	9,337	-	9,337
Total changes in net assets	<u>5,559,613</u>	<u>132,816</u>	<u>-</u>	<u>5,692,429</u>
Net assets at June 30, 2017	<u>\$ 73,605,929</u>	<u>8,088,203</u>	<u>1,993,764</u>	<u>83,687,896</u>

Orange Regional Medical Center
Inpatient Utilization Statistics

<u>Discharges</u>	<u>Six Months Ended June 30</u>		<u>Three Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Medical/Surgical	8,918	8,868	4,491	4,336
Obstetrics/Delivery	1,004	938	519	458
Nursery	871	824	451	400
NICU	87	101	49	59
Rehabilitation	309	293	142	140
Mental Health	556	514	273	255
ORMC Total Discharges	<u>11,745</u>	<u>11,538</u>	<u>5,925</u>	<u>5,648</u>
Change	1.8%		4.9%	

<u>Patient Days</u>	<u>Six Months Ended June 30</u>		<u>Three Months Ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Medical/Surgical	43,248	42,367	21,054	20,694
Obstetrics/Delivery	2,779	2,525	1,388	1,270
Nursery	1,923	1,802	966	873
NICU	883	825	499	532
Rehabilitation	3,689	3,714	1,780	1,733
Mental Health	5,068	4,984	2,613	2,562
ORMC Total Patient Days	<u>57,590</u>	<u>56,217</u>	<u>28,300</u>	<u>27,664</u>
Change	2.4%		2.3%	

Orange Regional Medical Center

Available beds	383	383	383	383
Average length of stay	4.9	4.9	4.8	4.9
Average daily census	318.2	308.9	311.0	304.0
Occupancy (available)	83.1%	80.6%	81.2%	79.4%

**Orange Regional Medical Center
Outpatient Utilization Statistics**

Orange Regional Medical Center	Six Months Ended June 30		Three Months Ended June 30	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Surgery	4,204	3,738	2,012	1,945
Emergency room (OP only)	26,828	28,204	13,939	14,066
Endoscopy procedures	1,501	1,709	788	822
Laboratory procedures	239,292	247,203	123,185	124,662
Imaging procedures	54,357	60,951	28,017	30,852
Oncology	6,571	6,782	3,362	3,511
Radiation oncology	14,565	10,256	7,808	4,850
Cath lab visits	737	736	391	389
Respiratory & pulmonary function	1,981	1,515	1,016	804
Cardiology services	18,152	17,690	9,440	8,860
Behavioral health visits	4,222	5,021	2,090	2,551
Substance abuse program	2,386	2,817	1,149	1,339
Pt/Ot/speech procedures	23,713	24,567	12,404	13,085
Other outpatient procedures	5,262	4,762	2,568	2,467
Sleep	434	464	213	254
Wound care	6,288	6,368	3,309	3,036
 Total ORMC visits	 <u>410,493</u>	 <u>422,783</u>	 <u>211,691</u>	 <u>213,493</u>
 Change	 -2.9%		 -0.8%	
 Emergency room admits	 7,935	 7,886	 4,002	 3,844

Orange Regional Medical Center
Percent of Gross Patient Service Revenue

Orange Regional Medical Center	Three Months Ended June 30					
	2017			2016		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Medicare	56.3%	38.4%	49.2%	54.8%	38.2%	48.6%
Medicaid	18.0	20.6	19.0	18.0	19.1	18.4
Blue Cross	11.2	18.0	13.9	13.0	17.8	14.8
Commercial / HMO	13.5	20.5	16.3	13.2	20.5	15.9
Self-pay	1.0	2.5	1.6	1.1	4.4	2.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Orange Regional Medical Center	Six Months Ended June 30					
	2017			2016		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Medicare	56.9%	37.6%	49.5%	55.8%	37.6%	49.0%
Medicaid	16.9	20.7	18.4	17.8	19.4	18.4
Blue Cross	12.0	18.4	14.4	12.7	18.8	15.0
Commercial / HMO	13.1	19.8	15.7	12.7	20.0	15.4
Self-pay	1.1	3.5	2.0	1.0	4.2	2.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

(1) Organization

Orange Regional Medical Center (ORMC or the Hospital) is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and is exempt from federal and state income taxes and other related income pursuant to Section 501(a) of the Code. ORMC is a 383 bed facility located in the town of Wallkill, New York and provides acute, psychiatric, and rehabilitative inpatient services, as well as ambulatory surgery, emergency care, and other outpatient services for residents of Orange County, New York, and surrounding areas.

The Greater Hudson Valley Health System, Inc. (GHVHS) is the parent of ORMC. During February 2010, GHVHS became the active parent of Catskill Regional Medical Center (Catskill Regional). Catskill Regional is located in Sullivan County and is licensed for a total of 181 beds maintained on two campuses in Harris, New York and Callicoon, New York. GHVHS has the same legal authority over, and responsibilities to, both ORMC and Catskill Regional. ORMC and Catskill Regional will maintain independent financial operations and neither will be liable for the other's obligations.

GHVHS is also the parent of the GHVHS Medical Group, P.C., a not-for-profit corporation, which was formed in October 2013 for the purpose of engaging in the profession of medicine. The practice began operations in December 2014.

The Hospital is affiliated with Orange Regional Medical Center Foundation, Inc. (the Foundation) whose purpose is to raise funds for the Hospital and the health and welfare of the community.

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The consolidated financial statements have been prepared on the accrual basis of accounting and include the activities of the Hospital and East Main Street Management Corporation (EMS), The Alpha Network, Inc (the PHO), and Synera Corporation, all dormant corporations. All significant intercompany balances and transactions have been eliminated in preparation of the consolidated financial statements.

(b) *Cash and Cash Equivalents*

Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less at the date of purchase. At June 30, 2017 and December 31, 2016, the Hospital had cash balances in financial institutions that exceeded federal depository insurance limits. The Hospital routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

(c) *Investments and Assets Limited or Restricted as to Use*

The Hospital classifies its debt and equity securities included in investments and assets limited or restricted as to use as trading securities. These investments are measured at fair value in the accompanying consolidated balance sheets.

Investment income or loss (including realized gains and losses on investments, interest, dividends, and unrealized gains and losses on trading investments) is included in (deficiency) excess of unrestricted revenues, gains, losses, and other support over expenses unless the income or loss is restricted by donor or law.

The equity method of accounting is used for joint venture investments, included in other assets, net, in which the Hospital has significant influence but does not have control.

Assets limited or restricted as to use primarily include assets held by trustees under indenture agreements and assets associated with the donor-restricted net assets.

(d) *Patient Accounts Receivable and Net Patient Service Revenue*

ORMC has agreements with third-party payors that provide for payment at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Management regularly reviews accounts and contracts and provides appropriate contractual allowances and discounts that are netted against patient accounts receivable in the consolidated balance sheets.

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, ORMC analyses its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible 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 uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, ORMC analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (e.g., for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with uninsured patients, management records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

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Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

ORMC wrote off approximately \$8,600 and \$1,300 for the periods ended June 30, 2017 and June 30, 2016, respectively, of which a significant portion related to uninsured patients.

ORMC recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, Orange Regional Medical Center recognizes revenue based on a discounted rate per the self pay discount policy. On the basis of historical experience, a significant portion of ORMC's uninsured patients will be unable or unwilling to pay for the services provided. Thus, ORMC records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, for the six months ended June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Patient service revenue (net of contractual allowances and discounts)		
Medicare	\$ 89,878	\$ 87,193
Medicaid	34,149	32,035
Managed care and other insurance	109,906	107,863
Uninsured and other fee for service	8,293	6,023
Total all payors	<u>\$ 242,226</u>	<u>\$ 233,114</u>

The following table reflects the estimated percentages of patient service revenue, net of provision for bad debts, for the six months ended June 30:

	<u>2017</u>	<u>2016</u>
Medicare	38%	38%
Medicaid	14	14
Managed care and other insurance	47	47
Uninsured and other fee for service	1	1
	<u>100%</u>	<u>100%</u>

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

The following table reflects the estimated percentages of patient service revenue by inpatient and outpatient services for the six months ended June 30:

	2017	2016
Inpatient services	68%	69%
Outpatient services	32	31
	100%	100%

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

(e) Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables, net of contractual allowances from third-party payors and patients at June 30, 2017 and December 31, 2016 is as follows:

	2017	2016
Medicare	31%	30%
Medicaid	15	15
Managed care and other insurance	46	45
Uninsured and other fee for service	8	10
	100%	100%

(f) Charity Care

ORMC provides charity care to patients who meet certain criteria under its charity care policy, to patients who are uninsured and to patients who are underinsured at amounts less than its established rates. Because ORMC does not pursue collection for patients who qualify, these amounts are not reported as revenue. The calculation of the cost of these services is done utilizing the ratio of patient

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

care cost to charges based upon the 2015 Form 990 Return of Organization Exempt from Income Taxes, applied to the gross charity related allowances.

The amount of services related to charity care, uninsured, and underinsured, at cost, is \$3,647 and \$2,981 for the six months ended June 30, 2017 and 2016, respectively.

(g) *Impairment of Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Hospital records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charge was recorded in 2017 or 2016.

(h) *Net Assets*

The net assets of ORMC and changes therein are classified and reported as follows:

Unrestricted Net Assets – unrestricted net assets are those whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract, board designation, or under debt agreements.

Temporarily and Permanently Restricted Net Assets – temporarily restricted net assets are those whose use by ORMC has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

(i) *Donor-Restricted Gifts*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. The contributions 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 as unrestricted net assets and reported in the accompanying consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

(j) Property and Equipment

Property and equipment (including equipment acquired under capital lease obligations) are recorded at cost or, if donated, at fair market value at date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Estimated useful lives of the assets are as follows:

Land improvements	5 to 20 years
Buildings and building improvements	15 to 40 years
Equipment	5 to 15 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess (deficiency) of unrestricted revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Cash gifts restricted for investment in long-lived assets are released from restriction when the asset is placed in service or as costs are incurred for asset construction.

The Hospital's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year. Total interest costs capitalized for the six months ended June 30, 2016 was \$1,694.

(k) Long-Term Debt

On May 13, 2015, Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2015 (Series 2015 Bonds), were issued with a par value of \$66,100 and a net original issue premium of \$3,960. The issue is composed of serial bonds with values of \$1,000 to \$2,500 with maturity dates ranging from December 1, 2016 to 2035, term bonds of \$14,600 maturing December 1, 2040, and term bonds of \$18,600 maturing December 1, 2045. The Series 2015 Bonds maturing after December 1, 2025 are subject to redemption prior to maturity, at the option of the Hospital and as provided for in the debt agreement, on or after June 1, 2025, at 100% of the principal amount plus accrued interest to the date of redemption. The Series 2015 Bonds are also subject to redemption upon the occurrence of certain events as discussed in the debt agreement.

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

The Hospital is required to maintain a long-term debt service coverage ratio of 1.25 measured on an annual basis, and a day's-cash-on-hand ratio of 60 days calculated semiannually, as defined in the debt agreement.

Interest on the Series 2015 Bonds is payable on a semiannual basis beginning December 1, 2015. Principal is payable annually beginning December 1, 2016 in varying amounts from \$1,000 in 2016 to \$18,600 in 2045. The Series 2015 Bonds were issued with various stated interest rates ranging from 4.45% to 5.00%. The effective interest rate for this issue is 4.75%.

The Series 2015 Bonds are collateralized by the land and buildings that comprise the hospital facility.

On February 28, 2017, Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 (Series 2017 Bonds), were issued with a par value of \$237,100 and a net original issue premium of 16,725. The issue is composed of serial bonds with values of \$6,200 to \$17,600 with maturity dates ranging from December 1, 2017 to 2037. The Series 2017 Bonds maturing after December 1, 2037 are subject to redemption prior to maturity, at the option of the Hospital and as provided for in the debt agreement, on or after June 1, 2027, at 100% of the principal amount plus accrued interest to the date of redemption. The Series 2017 Bonds are also subject to redemption upon the occurrence of certain events as discussed in the debt agreement. The proceeds of the Series 2017 Bonds were applied to refund on an advance basis all of the Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008, to make a deposit to a Debt Service Reserve Fund in the amount of \$18,520, and to pay costs of issuance of \$3,407. As a result of the extinguishment of the Series 2008 bonds, the Hospital recorded a loss on extinguishment of debt in the amount of \$27,347.

The Hospital is required to maintain a long-term debt service coverage ratio of 1.25 measured on an annual basis, and a day's-cash-on-hand ratio of 60 days calculated semiannually, as defined in the debt agreement.

Interest on the Series 2017 Bonds is payable on a semiannual basis beginning June 1, 2017. Principal is payable annually beginning December 1, 2017 in varying amounts from \$6,200 in 2017 to \$17,600 in 2037. The Series 2017 Bonds were issued with various stated interest rates ranging from 4.00% to 5.00%. The effective interest rate for this issue is 4.33%.

The Series 2017 Bonds are collateralized by the land and buildings that comprise the hospital facility.

During 2016, the Hospital entered into lease lines of credit with a bank in the amount of \$3,750 with interest at 3.62%, maturing December 2021. The Hospital also entered into a lease line of credit with another entity for \$3,750 with interest at 3.00%, maturing November, 2020.

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

(l) *Supplies*

Supplies are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Supplies of \$10,592 and \$10,039 at June 30, 2017 and December 31, 2016, respectively, are included in other current assets.

(m) *Use of Estimates*

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions. Actual results may differ from those estimates

(n) *(Deficiency) Excess of Unrestricted Revenues, Gains, and Other Support over Expenses*

The consolidated statements of operations include (deficiency) excess of unrestricted revenues, gains, losses, and other support over expenses. Changes in unrestricted net assets that are excluded from (deficiency) excess of unrestricted revenues, gains, losses, and other support over expenses, consistent with industry practice, include net assets released from restrictions for property and equipment, contributions for property and equipment, and transfer of assets to related parties.

(o) *Estimated Malpractice, Workers' Compensation Costs, and Health Insurance Costs*

The provision for estimated medical malpractice, workers' compensation, and health insurance claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported (IBNR).

(p) *Deferred financing Fees*

Deferred financing fees of \$5,493 and \$10,700 as of June 30, 2017 and December 31, 2016, respectively, reported in long-term debt, net of current installments in the accompanying consolidated balance sheets, represent costs incurred in connection with the issuance of the Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2008, series 2015 and Series 2017, and are amortized based on the effective-interest method over the lives of the bonds. Accumulated amortization of deferred financing fees amounted to \$310 and \$3,800 at June 30, 2017 and December 31, 2016, respectively.

(q) *Guarantees*

The Hospital recognizes a liability at the inception or modification of a guarantee.

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

(r) *Deferred Revenue*

Deferred revenue consists of the gain associated with the Hospital's sale of the Medical Pavilion and the Arden Hill campus. The sale of the Arden Hill campus resulted in the recording of a long-term asset and related liability (deferred revenue) on the ten year lease.

(s) *Income Taxes*

The Hospital and Synera, a dormant corporation, have been determined by the Internal Revenue Service to be organizations described in Internal Revenue Code (the Code) Section 501(c)(3) and 501(c)(2), respectively; therefore, are generally exempt from federal income.

East Main Street Management Corporation and The Alpha Network, Inc. are dormant taxable corporations. No provision for income taxes has been recorded.

ORMC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than fifty percent likely to be realized upon settlement. Changes in recognition in measurement are reflected in the period in which the change in judgment occurs. The Hospital did not recognize the effect of any income tax positions in either 2017 or 2016.

(3) *Commitments and Contingencies – Professional & General Liability*

ORMC and Catskill Regional's professional liability insurance programs were combined effective September 1, 2016. Coverage is written on a claims made, first dollar basis. Professional liability limits are \$2,000,000 per medical incident subject to annual aggregate limits of \$7,000,000. Under the excess liability program there are limits of \$35,000,000 per medical incident and in the annual aggregate subject to the policy's varying retroactive dates. Joint and several liability does not apply between ORMC and Catskill Regional. Prior to September 1, 2016, ORMC and Catskill Regional's professional liability programs were written separately.

Prior to September 1, 2016, ORMC had professional liability claims-made commercial insurance coverage for the first \$1,000 per occurrence, \$5,000 in the aggregate for malpractice claims effective September 1, 2009 (prior to that date it was \$1,000/\$3,000) and excess insurance for \$5,000 per occurrence, \$5,000 in the aggregate for claims made prior to September 1, 2008, and \$10,000 per occurrence and \$10,000 in the aggregate for claims through September 1, 2012, and \$15,000 per occurrence and \$15,000 in the aggregate for claims made subsequent to that date.

Annually, the Hospital engages an independent actuary to estimate the liability for both reported and IBNR claims. Based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors, management, with the assistance of an independent actuary, has recorded an accrual for ultimate undiscounted cost.

ORANGE REGIONAL MEDICAL CENTER

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2017 and June 30, 2016

(Dollars in thousands)

The Hospital has been named as a defendant in various malpractice cases. The outcome of these actions cannot be predicted at this time, and accordingly, a provision for these claims has not been made. It is the opinion of management that any loss that may arise from these actions will not have a material adverse effect on the consolidated financial position, results of operations, or liquidity of ORMC. In addition, there are known, and possibly unknown, incidents occurring through June 30, 2017 that may result in the assertion of additional claims. In management's opinion, any liability that may arise from the settlement of such claims will be settled within insurance coverage or otherwise will not have any material adverse effect on the Hospital's financial position, results of operations, or liquidity.

(4) Subsequent Events

ORMC has evaluated and disclosed subsequent events through the date of filing the second quarter results ended June 30, 2017 on August 11, 2017, and is not aware of any other subsequent event that would have a material impact on those financial statements.

(5) Reclassification

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the current year presentation.

ORANGE REGIONAL MEDICAL CENTER
Days Cash on Hand Calculation
As of and for the Six Months Ended June 30, 2017

Cash and investments:	
Unrestricted cash	\$ 29,677,784
Unrestricted investments	<u>77,679,303</u>
Cash on hand	<u><u>\$ 107,357,087</u></u>
Operating expenses:	
Total expenses	\$ 233,254,972
Less, depreciation and amortization	<u>(13,344,131)</u>
	219,910,841
# of days	<u>181</u>
Daily expense	<u><u>\$ 1,214,977</u></u>
Cash on hand	<u>107,357,087</u>
Daily expense	<u>1,214,977</u>
Days cash on hand	88.36
Required (after replacement hospital occupancy)	60.00

CERTIFICATION OF ORANGE REGIONAL MEDICAL CENTER

I, the undersigned Disclosure Representative, DO HEREBY CERTIFY that:

1. Orange Regional Medical Center (the "Obligated Person"), Manufacturers and Traders Trust Company ("M&T"), the Dormitory Authority of the State of New York (the "Issuer") and Digital Assurance Certification, L.L.C. ("Disclosure Dissemination Agent") are parties to that certain Agreement to Provide Continuing Disclosure, dated as of May 13, 2015, as the same may be amended, modified, supplemented or restated from time to time ("Continuing Disclosure Agreement") relating to \$66,100,000 Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2015 (the "Bonds"), CUSIP #s 64990BGJ6, 64990BGK3, 64990BGL1, 64990BGM9, 64990BGN7, 64990BGP2, 64990BGQ0, 64990BGR8, 64990BGS6, 64990BGT4, 64990BGU1, 64990BGV9, 64990BGW7, 64990BGX5, 64990BGY3, 64990BGZ0, 64990BHA4, 64990BHB2, 64990BHC0, 64990BHD8, 64990BHE6 and 64990BHF3. All capitalized terms used herein which are not otherwise defined shall have the meanings assigned to them in the Continuing Disclosure Agreement.

2. Section 7 of the Continuing Disclosure Agreement permits the Obligated Person to instruct the Disclosure Dissemination Agent to file a Voluntary Report.

3. The Obligated Person and M&T (as master trustee) are parties to that certain Master Trust Indenture dated as of May 1, 2008, as the same may be amended, modified, supplemented or restated from time to time ("Master Trust Indenture"). The Master Trust Indenture is modified by the Supplemental Indenture for Obligation No. 2 dated as of April 1, 2015 and the Supplemental Indenture for Obligation No. 3 dated as of February 1, 2017.

4. Pursuant to Section 3.10 of the Master Trust Indenture, the Obligated Person is required to furnish certain quarterly information to M&T, the Issuer, the Disclosure Dissemination Agent and any Bondholder who requests such information (collectively, the "Disclosure Parties").

5. The information attached as Exhibit A hereto is being provided to the Dissemination Agent pursuant to Section 3.10 of the Master Trust Indenture, to be filed with the Repositories as a Voluntary Report and with the Disclosure Parties pursuant to Section 3.09 of the Master Trust Indenture.

6. To the best knowledge of the signer, there has not been and is not now existing any breach of any of the terms, conditions or covenants contained in the Loan Agreement, Mortgage, Master Trust Indenture or Supplemental Indenture.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 2017.

ORANGE REGIONAL MEDICAL CENTER

By: 
James Grigg
Interim Chief Financial Officer

EXHIBIT A

(see attached information)

- **Unaudited Financial Statements for the Quarter Ending June 30, 2017**
- **Required Ratios**
 - **Days Cash on Hand**
- **Utilization Statistics**
- **Payor Mix by percentages**
- **Officers Certificate**

CERTIFICATION OF ORANGE REGIONAL MEDICAL CENTER

I, the undersigned Disclosure Representative, DO HEREBY CERTIFY that:

1. Orange Regional Medical Center (the "Obligated Person"), Manufacturers and Traders Trust Company ("M&T"), the Dormitory Authority of the State of New York (the "Issuer") and Digital Assurance Certification, L.L.C. ("Disclosure Dissemination Agent") are parties to that certain Agreement to Provide Continuing Disclosure, dated as of February 28, 2017, as the same may be amended, modified, supplemented or restated from time to time ("Continuing Disclosure Agreement") relating to \$237,100,000 Dormitory Authority of the State of New York Orange Regional Medical Center Obligated Group Revenue Bonds, Series 2017 (the "Bonds"), CUSIP #s 64990CPG0, 64990CPK1, 64990CPN5, 64990CPR6, 64990CPU9, 64990CPH8, 64990CPL9, 64990CPP0, 64990CPS4, 64990CPV7, 64990CPJ4, 64990CPM7, 64990CPQ8, 64990CPT2, 64990CPW5, 64990CPX3, 64990CPZ8, 64990CQB0, 64990CPY1, 64990CQA2, and 64990CQC8. All capitalized terms used herein which are not otherwise defined shall have the meanings assigned to them in the Continuing Disclosure Agreement.

2. Section 7 of the Continuing Disclosure Agreement permits the Obligated Person to instruct the Disclosure Dissemination Agent to file a Voluntary Report.

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ORANGE REGIONAL MEDICAL CENTER

By: 

James Grigg
Interim Chief Financial Officer

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