UNAUDITED INTERIM FINANCIAL STATEMENTS

Royal Charter Properties, Inc.

September 30, 2016

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Unaudited Interim Financial Statements

Nine-Months Ended September 30, 2016 and 2015

Contents

Royal Charter Properties, Inc.

Unaudited Statements of Financial Position

		September 30, 2016		December 31, 2015
		(In Thousands)		
Assets				
Current assets:				
Cash and cash equivalents	**$**	**1,897**	$	2,093
Accounts receivable, less allowance for uncollectible (2016 - $619; 2015 - $988)		**1,038**		673
Tenant security deposits held in trust		**2,375**		2,269
Other current assets		**1,186**		1,830
Total current assets		**6,496**		6,865
Investment in real estate		**800**		800
Property, buildings and equipment - net		**105,963**		105,591
Assets limited as to use		**1,295**		635
Accrued rent receivable		**574**		464
Total assets	**$**	**115,128**	$	114,355
Liabilities and net assets				
Current Liabilities:				
Current portion of long-term debt	**$**	**1,348**	$	1,147
Accounts payable and accrued expenses		**6,159**		6,471
Tenant security deposits payable		**2,375**		2,269
Deferred rental revenue		**120**		200
Due to related organizations, net		**9,947**		8,746
Total current liabilities		**19,949**		18,833
Long-term debt - less current portion		**31,975**		32,318
Total liabilities		**51,924**		51,151
Net assets:				
Unrestricted		**63,204**		63,204
Total liabilities and net assets	**$**	**115,128**	$	114,355

See accompanying notes.

Royal Charter Properties, Inc.

Unaudited Interim Statements of Operations and Changes in Net Assets

	Nine-Months Ended September 30	
	2016	**2015**
	(In Thousands)	
Revenue		
Rental and parking income:		
Tenant	**$ 19,647**	$ 18,798
Parking	**16,908**	15,594
Miscellaneous	**392**	343
Total rental and parking income	**36,947**	34,735
Interest income	**18**	17
Total revenue	**36,965**	34,752
Expenses		
Salaries and benefits	**2,280**	2,106
Salaries and benefits - contracted services	**8,234**	7,533
Supplies and other expenses	**10,343**	10,126
Depreciation	**3,857**	3,836
Interest expense and amortization of deferred financing costs	**1,160**	1,274
Total expenses	**25,874**	24,875
Excess of revenue over expenses	**11,091**	9,877
Distributions to The New York and Presbyterian Hospital	**(11,091)**	(9,248)
Changes in net assets	**-**	629
Net assets at beginning of period	**63,204**	51,546
Net assets at end of period	**$ 63,204**	$ 52,175

See accompanying notes.

Royal Charter Properties, Inc.

Unaudited Interim Statements of Cash Flows

	Nine-Months Ended September 30	
	2016	**2015**
	(In Thousands)	
Operating activities		
Changes in net assets	**$ -**	$ 629
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**3,857**	3,836
Amortization of deferred financing costs and bond premium	**54**	83
Distributions to The New York and Presbyterian Hospital	**11,091**	9,248
Deed of property, building and equipment from The New York and Presbyterian Hospital		
Changes in operating assets and liabilities:		
Accounts receivable, accrued rent receivable, and deferred rental revenue	**(555)**	3
Other current assets	**644**	365
Accounts payable and accrued expenses	**(312)**	489
Due to related organizations	**1,201**	1,821
Net cash provided by operating activities	**15,980**	16,474
Investing activities		
Acquisition of property, buildings and equipment	**(4,229)**	(5,449)
Net purchases of assets limited as to use	**(660)**	(650)
Net cash used in investing activities	**(4,889)**	(6,099)
Financing activities		
Principal repayments on long-term debt	**(196)**	(110)
Distributions to The New York and Presbyterian Hospital	**(11,091)**	(9,248)
Net cash used in financing activities	**(11,287)**	(9,358)
Net (decrease) increase in cash and cash equivalents	**(196)**	1,017
Cash and cash equivalents at beginning of year	**2,093**	1,243
Cash and cash equivalents at end of the period	**$ 1,897**	$ 2,260

See accompanying notes.

Royal Charter Properties, Inc.

Notes to Unaudited Interim Financial Statements

September 30, 2016

1. Organization and Significant Accounting Policies

Interim Financial Statements

Royal Charter Properties, Inc. (the Company) presumes that users of this unaudited interim financial information have read or have access to the Company's audited financial statements which include certain disclosures required by U.S. generally accepted accounting principles. The audited financial statements of the Company for the years ended December 31, 2015 and 2014 are on file with the Municipal Securities Rulemaking Board and are accessible through its Electronic Municipal Market Access Database (EMMA). Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in the Company's most recent financial statements have been omitted from the unaudited interim financial information.

In the opinion of management, all adjustments considered necessary for a fair presentation of the results of the interim periods have been included in the accompanying unaudited interim financial statements. All such adjustments are considered by management to be of a normal, recurring nature, except as noted otherwise.

Operating revenues and expenses are subject to seasonal variations caused by a number of factors, included, but not necessarily limited to, climate and weather conditions. Monthly operating results are not necessarily representative of operations for a full year for various reasons, including levels of interest rates, unusual or non-recurring items and other seasonal fluctuations.

Organization

The Company was incorporated under the New York State not-for-profit corporation law for the purpose of acquiring and holding direct and indirect interests in real estate and related personal property which is located primarily in Manhattan, New York. The Company primarily provides residential housing, office and parking to related organizations and their employees. The Company is a membership corporation, which membership consists of the members of New York-Presbyterian Foundation, Inc. (Foundation, Inc.), who are also Trustees of The New York and Presbyterian Hospital (the Hospital). The Company's members elect the Company's Board of Directors. Foundation, Inc. is related to a number of other organizations.

1. Organization and Significant Accounting Policies (continued)

The following is a summary of significant accounting policies:

Basis of Financial Statement Presentation: The accompanying financial statements are prepared on the accrual basis of accounting and do not include accounts of related organizations.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, such as estimated uncollectible for tenant accounts receivable, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term.

Revenue Recognition: Tenant leases are accounted for as operating leases. Scheduled base rent increases under tenant leases are recognized as rental income on a straight-line basis over the lease term. Monthly or annual prepaid lease payments are recorded as deferred rental revenue in current liabilities. Parking income is recognized in the period that parking facilities are used by customers or the monthly parking fee is incurred.

Tax Status: The Company is a Section 501(c)(3) organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. The Company also is exempt from New York State and City income taxes.

Reclassifications: Certain reclassifications have been made to 2015 balances previously reported to conform to the 2016 presentation.

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 the revenue model 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 supersedes the FASB’s current revenue recognition requirements and most industry-specific guidance. The FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers,* which deferred the effective dates of ASU

1. Organization and Significant Accounting Policies (continued)

2014-09. Based on ASU 2015-14, the provisions of ASU 2014-09 are effective for the Company beginning January 1, 2018. Early application is permitted. The Company is currently evaluating the impact of ASU 2014-09 on its financial statements and the options of adopting using either a full retrospective or modified approach.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern*, that requires 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. The Company does not believe ASU 2014-15 will have an impact on its annual financial statements, as there is no substantial doubt about the Company's ability to continue as a going concern.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to report most leases on their statements of financial position, but recognize expenses on their income statements in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. Lessors in operating leases continue to 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 Company for annual periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact of ASU 2016-02 on its financial statements.

2. Fair Value Measurements

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

2. Fair Value Measurements (continued)

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

Level l: 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 l 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 Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers nonperformance risk in its assessment of fair value.

Financial assets carried at fair value at September 30, 2016 and December 31, 2015 are classified in the tables below in one of the three categories described above:

	September 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash and cash equivalents (including tenant security deposits)	**$ 4,272**	**$ –**	**$ –**	**$ 4,272**
Money market fund	**1,295**	**–**	**–**	**1,295**
Total financial assets at fair value	**$ 5,567**	**$ –**	**$ –**	**$ 5,567**

2. Fair Value Measurements (continued)

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Cash and cash equivalents (including tenant security deposits)	$ 4,362	$ –	$ –	$ 4,362
Money market fund	635	–	–	635
Total financial assets at fair value	$ 4,997	$ –	$ –	$ 4,997

Fair value for Level 1 is based on quoted market prices.

The carrying values of receivables and accounts payable are reasonable estimates for fair values due to their short-term nature. The fair value of long-term debt obligations, excluding the unamortized premium, totaled approximately $37.4 million and $37.2 million at September 30, 2016 and December 31, 2015, respectively. The carrying value of long-term debt obligations, excluding the unamortized premium, totaled approximately $33.1 million and $33.3 million at September 30, 2016 and December 31, 2015, respectively. The fair value of long-term debt is classified as Level 2 in the fair value hierarchy, using techniques consistent with the market approach. Valuations for the Series 2012 Bonds are based on quoted market prices for related bonds. The fair value of mortgage loans is deemed to approximate carrying value based on consideration of current market data and discounted cash flow estimates.

3. Events Subsequent to September 30, 2016

Subsequent events have been evaluated through November 29, 2016, which is the date the unaudited interim financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the financial statements.