



ALBANY MEDICAL CENTER AND RELATED ENTITIES

Reporting Required by the Uniform Guidance

Year Ended December 31, 2019

(With Independent Auditors' Reports Thereon)

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Reporting Required by the Uniform Guidance

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KPMG LLP
515 Broadway
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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors
Albany Medical Center and Related Entities:

Report on Compliance for Each Major Federal Program

We have audited Albany Medical Center and Related Entities' (the System) compliance with the types of compliance requirements described in *the OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2019. The System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The System's financial statements include the operations of Kaaterskill Commons, Inc., which expended federal awards that are not included in the System's schedule of expenditures of federal awards for the year ended December 31, 2019. Our audit, described below, did not include the operations of the Kaaterskill Commons, Inc. because Kaaterskill Commons, Inc. engaged other auditors to perform an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the System's compliance.

Opinion on Each Major Federal Program

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the combined financial statements of the System as of and for the year ended December 31, 2019, and have issued our report thereon dated April 29, 2020, except as to note 19, which is as of September 30, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Albany, New York
September 30, 2020

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Student Financial Assistance Cluster:				
Department of Education Direct Programs:				
Federal Work-Study Program	84.033	—	\$ —	256,127
Federal Direct Student Loans	84.268	—	—	29,986,841
Federal Perkins Loan Program	84.038	—	—	2,732,634
Total Department of Education Direct Programs			—	32,975,602
Department of Health and Human Services Direct Programs:				
Health Professions Student and Primary Care Loan Programs	93.342	—	—	899,660
Loans for Disadvantaged Student Program	93.342	—	—	713,073
Total Department of Health and Human Services Direct Programs			—	1,612,733
Total Student Financial Assistance Cluster			—	34,588,335
Research and Development Cluster:				
Department of Defense Direct Program:				
Military Medical Research and Development	12.420	—	—	352,366
Total Department of Defense			—	352,366
Department of Health and Human Services Programs:				
National Institute on Aging Direct Program:				
Aging Research	93.866	—	—	831,726
National Institute of Allergy & Infectious Diseases Direct Program:				
Allergy, Immunology and Transplantation Research	93.855	—	819,793	2,767,933
Pass-Through Program From:				
Vanderbilt University-Allergy, Immunology and Transplantation Research	93.855	AI137082	—	538
819,793				2,768,471
National Institute of Arthritis & Musculoskeletal & Skin Disease Direct Program:				
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	—	—	387,059
National Cancer Institute Direct Program:				
Cancer Biology Research	93.396	—	—	412,793
National Cancer Institute Pass-Through Programs From:				
Health Research, Inc. - Cancer Cause and Prevention Research	93.393	15-0689	—	1,306
Rensselaer Polytechnic Institute – Cancer Detection and Diagnosis Research	93.394	A12828	—	259,595
Rensselaer Polytechnic Institute – Cancer Detection and Diagnosis Research	93.394	CA237267	—	3,498
Rensselaer Polytechnic Institute – Cancer Detection and Diagnosis Research	93.394	CA166379	—	112,634
—				375,727
Purdue University – Cancer Research Manpower	93.398	CA174665	—	28,614
National of Diabetes, Digestive & Kidney Diseases Direct Program:				
Diabetes, Digestive and Kidney Diseases Extramural Research	93.847	—	—	63,943
National of Diabetes, Digestive & Kidney Diseases Pass-Through Program From:				
Coragen Corporation-Diabetes, Digestive and Kidney Diseases Extramural Research	93.847	DK11358	—	29,065
—				93,008
National Institute of General Medical Sciences Direct Program:				
Biomedical Research and Research Training	93.859	—	1,147	1,230,630
National Institute of Human Genome Research Pass-Through Program From:				
The Hastings Center-Human Genome: Research	93.172	HG010531	—	25,799
National Heart, Lung & Blood Institute Direct Program:				
Cardiovascular Diseases Research	93.837	—	75,903	2,293,935
National Heart, Lung & Blood Institute Pass-Through Program From:				
University of Rochester – Cardiovascular Diseases Research	93.837	HL138987	—	37,874
75,903				2,331,809
National Heart, Lung & Blood Institute Direct Program:				
Lung Diseases Research	93.838	—	21,876	1,278,579
National Institute of Mental Health Direct Program:				
Mental Health Research Grants	93.242	—	128,716	259,776
National Institute of Mental Health Pass-Through Program From:				
Icahn School of Medicine at Mt. Sinai-Mental Health Research Grants	93.242	MH065658	—	41,933
128,716				301,709
National Institute of Neurological Disorders & Strokes Direct Program:				
Extramural Research Programs in the Neurosciences and				
Neurological Disorders	93.853	—	2,143	721,488
National Institute of Neurological Disorders & Strokes Pass-Through Programs From:				
Beth Israel Deaconess Medical Center (Harvard University) – Extramural				
Research Programs in the Neurosciences and				
Neurological Disorders	93.853	NS092062	—	128,129
Acoustic MedSystems Inc. – Extramural Research Programs in the				
Neurosciences and Neurological Disorders	93.853	NS107076	—	84,815
Icahn School of Medicine at Mt. Sinai. – Extramural Research Programs in the				
Neurosciences and Neurological Disorders	93.853	NS105119	—	19,530
Micro-Leads Inc. – Extramural Research Programs in the				
Neurosciences and Neurological Disorders	93.853	NS115111	—	11,578
—				244,052
National Institute of Biomedical Imaging and Bioengineering Pass-Through				
Programs From:				
Rensselaer Polytechnic Institute – Discovery and Applied Research				
for Technological Innovations to Improve Human Health	93.286	A12643	—	58,297
Health research Inc.-Discovery and Applied Research for Technological				
Innovations to Improve Human Health	93.286	5931	—	52,620
Health research Inc.-Discovery and Applied Research for Technological				
Innovations to Improve Human Health	93.286	6130	—	50,851
Health research Inc.-Discovery and Applied Research for Technological				
Innovations to Improve Human Health	93.286	6202	—	64,926
—				226,694
1,049,578				11,259,464
Total Department of Health and Human Services				
Total Research and Development Cluster				
				1,049,578
				11,611,830

(Continued)

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Other federal awards:				
Department of Health and Human Services Direct Programs:				
Allergy, Immunology and Transplantation Research	93.855	—	\$ —	84,134
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	—	—	935,209
Coordinated Services & Access to Research for Women, Infants, Children and Youth	93.153	—	116,809	652,900
Lung Disease Research	93.838	—	—	135,947
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	—	30,000	207,289
Department of Health and Human Services Pass-Through Programs From:				
The Trustess of Columbia University in the City of New York-Aging Research	93.866	AG050819	—	11,207
University of California – Aging Research	93.866	AG024904	—	43,262
			—	54,469
The Children's Hospital of Philadelphia – Cancer Treatment Research	93.395	CA180886	—	15,244
The Children's Hospital of Philadelphia – Cancer Treatment Research	93.395	CA189955	—	3,811
			—	19,055
The Children's Hospital of Philadelphia-CTSU-Phase II Supplemental Payments	93.UNK	N02-CM-62212	—	638
Health Research, Inc. – Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	4904	—	316
Health Research, Inc. – HIV Formula Care Grants	93.917	5338	—	244,149
Health Research, Inc. – HIV Formula Care Grants	93.917	5874	—	146,666
			—	390,815
New York University School of Medicine – Cardiovascular Diseases Research	93.837	HL105907	—	10,685
Brigham and Women's Hospital Inc. – Cardiovascular Disease Research	93.837	HL101422	—	155
New England Research Institutes, Inc. – Cardiovascular Diseases Research	93.837	HL107407	—	3,237
Mayo Clinic – Cardiovascular Diseases Research	93.837	HL128606	—	21,164
Brigham and Women's Hospital Inc. – Cardiovascular Disease Research	93.837	HL130163	—	8,520
My Music Machines Inc. – Cardiovascular Diseases Research	93.837	HL132735	—	89,166
			—	132,927
Boston University-Lung Diseases Research	93.838	HL135756	—	43,128
Vanderbilt University – Lung Diseases Research	93.838	HL117074	—	746
University of Pittsburgh – Lung Diseases Research	93.838	HL128954	—	4,321
			—	48,195
Rutgers University-Blood Diseases and Resources Research	93.839	HL133817	—	11,355
Columbia University – AIDS Education and Training Centers	93.145	HA29291	54,317	410,211
Icahn School of Medicine at Mt. Sinai – Center for Disease Control and Prevention – Blood Disorders Program: Prevention, and Surveillance and Research	93.080	DD001155	—	15,629
Icahn School of Medicine at Mt. Sinai – Maternal and Child Health Federal Consolidated Programs	93.110	MC24048	—	23,635
Vanderbilt University – Child Health & Human Development Extramural Research and Neurological Disorders	93.865	HD076733	—	26
Massachusetts General Hosp. – Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	NS090259	—	609
Northwestern University – Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	NS080818	—	25,559
			—	26,168
New York State Department of Health – Maternal & Child Health Services Block Grant to the States	93.994	C023938	—	345,945
Health Research, Inc. – Hospital Prepared Program (HPP) and Public for Infectious Diseases	93.889	1991-14	—	40,000
Health Research, Inc. – Hospital Prepared Program (HPP) and Public for Infectious Diseases	93.889	15-0689-06	—	63,654
			—	103,654
Health Research, Inc. – Hospital Prepared Program (HPP) and Public Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	15-0689-05	—	29,500
Health Research, Inc. – Hospital Prepared Program (HPP) and Public Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5679	—	21,122
Health Research, Inc. – Hospital Prepared Program (HPP) and Public Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	2423	—	106,970
			—	157,592
Total Department of Health and Human Services			201,126	3,756,109

(Continued)

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Department of Justice Pass-Through Program From:				
New York State Department of Criminal Justice – Violence Against Women Formula Grants	16.588	C652118	\$ —	37,821
Total Department of Justice			—	37,821
National Highway Traffic & Safety Administration Pass-Through Programs From:				
New York State Governor's Traffic Safety Committee – National Priority Safety Programs	20.616	CPS-2019-00077-(088)	—	20,437
New York State Governor's Traffic Safety Committee – National Priority Safety Programs	20.616	CPS-2019-00147-(088)	—	1,953
Total National Highway Traffic & Safety Administration			—	22,390
Department of Agriculture Pass-Through Programs From:				
New York State Department of Health – Special Supplemental Nutrition Program for Women, Infants & Children	10.557	C030448	—	2,171,677
New York State Department of Health – Child & Adult Care Food Program	10.558	2086	—	45,196
Total Department of Agriculture			—	2,216,873
Federal Communications Commission Direct Program:				
Universal Service Administrative Co.-Rural Health Care Program	32.005		—	141,283
Total Universal Service Administrative Co.-Rural Health Care Program			—	141,283
Department of Housing and Urban Development Direct Programs:				
Mortgage Insurance Hospitals-Refinance Loan	14.128		—	6,396,055
Mortgage Insurance Hospitals-Construction Loan	14.128		—	235,239,194
Mortgage Insurance Hospitals-Construction Loan	14.128		—	64,945,557
Total Department of Housing and Urban Development			—	306,580,806
Total Expenditures of Federal Awards			\$ 1,250,704	358,955,447

See accompanying notes to schedule of expenditures of federal awards.

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Albany Medical Center and Related Entities (the System) under programs of the federal government for the year ended December 31, 2019, as applicable, except for Kaaterskill Commons, Inc., which is subject to a separate audit in compliance with the Uniform Guidance. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the System, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the System.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The System has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Indirect costs are charged to federal grants and contracts at a federally approved predetermined rate. The predetermined rates for the year ended December 31, 2019 were 62% and 26% for on-campus programs and off-campus programs, respectively. Indirect costs are included in the reported federal expenditures.

As part of the System, the Albany Medical College (the College) receives an administrative cost allowance for certain programs. The College's share of certain program administrative costs are included in the reported federal disbursements/expenditures.

(3) Federal Student Loan and Loan Guarantee Programs

(a) Federal Student Loan Programs

The federal student loan programs listed below are administered directly by the System, and balances and transactions relating to these programs are included in the System's combined financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. No federally reimbursed administrative costs were incurred by the College.

(1) Federal Perkins Loan Program

For the year ended December 31, 2019, the College made no loans under the Federal Perkins Loan Program (CFDA number 84.038). The outstanding balance of loans under the Federal Perkins Loan Program was \$2,005,721 at December 31, 2019.

(Continued)

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

(2) Health Professions Student and Primary Care Loan Program

For the year ended December 31, 2019, the College made loans totaling \$265,773 under the Health Professions Student and Primary Care Loan Programs (CFDA number 93.342). The outstanding balance of loans under the Health Professions Student and Primary Care Loan Programs was \$792,269 at December 31, 2019.

(3) Loans for Disadvantaged Students Program

For the year ended December 31, 2019, the College made loans totaling \$149,512 under the Loans for Disadvantaged Students Program (CFDA number 93.342). The outstanding balance of loans under the Loans for Disadvantaged Students Program was \$694,682 at December 31, 2019.

(b) Federal Student Loan Guarantee Program

The College offers student financial assistance through the Federal Direct Student Loan Program under a program with the U.S. Department of Education (CFDA number 84.268), which is a student loan guarantee program. The College is only responsible for the performance of certain administrative duties relating to this program. The loans processed and guaranteed under this program during the year ended December 31, 2019 and included in the federal expenditures presented in the Schedule were \$29,986,841.

(4) Mortgage Insurance Guarantee Program

Albany Medical Center Hospital (AMCH) has the following long-term debt obligations outstanding as of December 31, 2019, which are insured against loss on mortgages to the lenders by the U.S. Department of Housing and Urban Development:

Program title	CFDA number	Original insured loan amount	Loan balance at December 31, 2018	Additions	Payments	Loan balance at December 31, 2019
Mortgage Insurance Hospitals-Refinance Loan	14.128	\$ 9,584,200	6,396,055	—	488,517	5,907,538
Mortgage Insurance Hospitals-2010 Mortgage Loan	14.128	311,856,000	235,239,194	—	6,366,844	228,872,350
Mortgage Insurance Hospitals-2017 Mortgage Loan	14.128	65,000,000	55,986,349	8,959,208	1,111,383	63,834,174

(Continued)

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

In April 2017, AMCH closed on a \$65,000,000 FHA insured construction loan (2017 Mortgage Loan) to finance the costs to construct a new Pediatric Emergency Department building and complete other renovations within the AMCH complex to increase patient care capacity. The 2017 Mortgage Loan is insured under the FHA-241 Program, with Prudential Huntoon Paige as the lender. It is secured by a lien on substantially all of AMCH's property, equipment, and gross receipts. The loan has a fixed interest rate of 4.26%, with an interest only 23 month construction period. Principal payments commenced in April 2019 based on a 25 year schedule and the loan matures on March 1, 2044. Construction began in the spring of 2017 and was completed mid 2019.

In December 2010, AMCH closed on a \$321,440,200 Mortgage Loan (2010 Mortgage Loan) which was comprised of a "Refinance Loan" of \$9,584,200 and a "Patient Tower" Loan of \$311,856,000 (which was reduced by \$50,220,000 to \$261,636,000 at Final Endorsement). The 2010 Mortgage Loan is insured under the FHA-241 program, with Prudential Huntoon Paige Associates as the lender.

The Refinance Loan was used to retire the Series 1999 Bonds, the original purpose of which was to acquire properties and rights of the former Child's Hospital and Samaritan Service Corporation. The interest rate is 4.66% on the Refinance Loan and is payable through May 1, 2029.

The Patient Tower Loan was used to finance AMCH's expansion project consisting of a six-story patient tower, which contains 96 new beds, 20 new operating rooms and a co-generation plant. Final endorsement occurred in September 2014 in the amount of \$261,636,055. The Patient Tower Loan has an interest rate of 6.2% and a maturity date of July 2038.

Loan balances outstanding at the beginning of the year plus new loans made during the year are included in the federal expenditures presented in the Schedule.

(5) Noncash Assistance

Included in the Special Supplemental Nutrition Program for Women, Infants, and Children expenditures (CFDA number 10.557) is \$1,615,321 of noncash assistance, which is the value of checks redeemed and electronic benefits transfers payments to beneficiary enrolled in the federal program by the System during the fiscal year.

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Schedule of Findings and Questioned Costs

Year ended December 31, 2019

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major programs:
 - Mortgage Insurance Hospitals – CFDA 14.128
 - Research and Development Cluster – Various CFDAs
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,571,239**
- (i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None



Appendix A

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combined Financial Statements
and Supplementary Information

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combined Financial Statements
and Supplementary Information

December 31, 2019 and 2018

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

To the Board of Directors
Albany Medical Center and Related Entities:

Report on the Financial Statements

We have audited the accompanying combined financial statements of Albany Medical Center and Related Entities (the System), which comprise the combined balance sheets as of December 31, 2019 and 2018, and the related combined statements of operations and net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Albany Medical Center and Related Entities as of December 31, 2019 and 2018, and the results of their operations, the changes in their net assets, and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

As discussed in Note 1(y) to the combined financial statements, during the year ended December 31, 2019, the System adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, ASU 2016-02, *Leases: An Amendment to the FASB Accounting Standards Codification*, ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, and ASU 2018-08, *Clarifying the Scope and Audit Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information included on pages 66 through 89 and the accompanying supplementary schedule of financial responsibility data as of and for the year ended December 31, 2019, as required by the US Department of Education, are presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2020, except as to note 19, which is as of September 30, 2020, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

KPMG LLP

Albany, New York

April 29, 2020, except as to note 19 and our report on the financial responsibility schedule, which are as of September 30, 2020.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combined Balance Sheets

December 31, 2019 and 2018

(Dollars in thousands)

Assets	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 329,628	311,700
Investments	197,902	133,131
Receivables, net:		
Patient service	202,595	182,376
Contributions	4,663	5,276
Other	<u>32,836</u>	<u>28,327</u>
	240,094	215,979
Inventories	33,458	31,644
Prepaid expenses and other current assets	<u>28,502</u>	<u>29,891</u>
	<u>829,584</u>	<u>722,345</u>
Assets whose use is limited:		
Under debt financed agreements	33,467	32,718
Self-insurance funds	102,793	97,780
Other investments	<u>16,195</u>	<u>9,539</u>
	<u>152,455</u>	<u>140,037</u>
Property and equipment, net of accumulated depreciation and amortization	928,212	902,656
Right-of-use-assets – operating leases	86,793	—
Investments, long term	230,454	211,585
Other assets:		
Student loan receivables	3,691	4,085
Deferred compensation agreements	50,194	37,834
Contributions receivable, noncurrent	8,234	9,475
Assets held in charitable trusts	3,590	3,289
Accrued pension asset, AMC	11,727	8,177
Other assets	<u>29,045</u>	<u>29,033</u>
	<u>106,481</u>	<u>91,893</u>
Total assets	\$ 2,333,979	2,068,516

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combined Balance Sheets

December 31, 2019 and 2018

(Dollars in thousands)

Liabilities and Net Assets	2019	2018
Current liabilities:		
Current maturities of long-term debt	\$ 22,609	22,052
Current portion of lease liability – finance leases (2019) and capital leases (2018)	22,009	17,625
Current portion of lease liability – operating leases	13,548	—
Accounts payable	102,993	88,799
Accrued expenses:		
Salaries and related items	74,786	69,971
Compensated absences	54,788	52,734
Deferred revenue	20,420	51,800
Other liabilities	<u>39,393</u>	<u>46,645</u>
Total current liabilities	350,546	349,626
Long-term debt, net of current maturities	509,678	510,606
Long-term lease liability – finance leases (2019) and capital leases (2018)	77,721	58,478
Long-term lease liability – operating leases	73,961	—
Federal loan programs	4,889	4,465
Accrued pension obligation, CMH	2,947	3,475
Professional liability self-insurance reserve	121,597	119,310
Other liabilities, long-term	<u>112,296</u>	<u>91,729</u>
Total liabilities	<u>1,253,635</u>	<u>1,137,689</u>
Commitments and contingencies (notes 4, 10, 12, and 16)		
Net assets:		
Without donor restrictions	865,708	773,447
With donor restrictions	<u>214,636</u>	<u>157,380</u>
	<u>1,080,344</u>	<u>930,827</u>
Total liabilities and net assets	<u>\$ 2,333,979</u>	<u>2,068,516</u>

See accompanying notes to combined financial statements.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

(Dollars in thousands)

	2019	2018
Operating revenue:		
Patient service revenue, net	\$ 1,840,369	1,739,743
Tuition and fees	41,203	41,556
Federal, state, and local grants and contracts	19,738	33,888
Private gifts, grants, and contracts	6,892	6,097
Interest and dividend income and realized gains	16,429	17,401
Other operating revenues and gains	66,355	53,970
Net assets released from restrictions used for operations	<u>37,722</u>	<u>20,269</u>
Total operating revenue	<u>2,028,708</u>	<u>1,912,924</u>
Operating expenses:		
Salaries	1,007,496	933,044
Employee benefits	167,979	153,340
Supplies	443,888	399,964
Purchased services	228,019	233,568
Depreciation and amortization	112,174	110,234
Interest	30,773	28,126
Other expenses	<u>26,567</u>	<u>26,317</u>
Total operating expenses	<u>2,016,896</u>	<u>1,884,593</u>
Operating margin	<u>11,812</u>	<u>28,331</u>
Nonoperating gains:		
Net realized gains on sales of investments	3,008	1,153
Other, net	<u>5,227</u>	<u>2,139</u>
Total nonoperating gains, net	<u>8,235</u>	<u>3,292</u>
Excess of revenue over expenses, before nonrecurring gains, net	<u>20,047</u>	<u>31,623</u>

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

(Dollars in thousands)

	2019	2018
Investment gains and (losses) and nonrecurring activities:		
Net unrealized gains and (losses) on investments	\$ 50,591	—
Other, net (notes 1(l), 6,11, and 12)	4,668	19,171
Total nonrecurring gains, net	<u>55,259</u>	<u>19,171</u>
Excess of revenue over expenses	<u>75,306</u>	<u>50,794</u>
Net assets without donor restrictions:		
Changes in net unrealized gains and losses on investments	—	(44,460)
Net assets released from restrictions used for purchase of property and equipment	10,559	9,635
Change in fair value of interest rate swaps	(3,562)	1,291
Pension related changes other than net periodic pension costs	9,958	(15,100)
Transfer from donor restricted net assets	<u>—</u>	<u>9,763</u>
Increase in net assets without donor restrictions	<u>92,261</u>	<u>11,923</u>
Net assets with donor restrictions:		
Private gifts, grants, contracts and other	44,286	19,594
Investment interest, dividends, and net realized gains, net	3,538	5,698
Net assets released from restrictions for operations	(37,722)	(20,269)
Changes in net unrealized gains and losses on investments	15,496	(15,361)
Contributions for property and equipment	10,181	7,307
Net assets released from restrictions used for purchase of property and equipment	(10,559)	(9,635)
Transfer to net assets without donor restrictions	<u>—</u>	<u>(9,763)</u>
Increase in net assets with donor restrictions	<u>25,220</u>	<u>(22,429)</u>
Change in net assets before cumulative effect of change in accounting principles	117,481	(10,506)
Cumulative effect of change in accounting principle (note 1(y))	<u>32,036</u>	<u>(1,126)</u>
Change in net assets	<u>149,517</u>	<u>(11,632)</u>
Net assets, beginning of year	<u>930,827</u>	<u>942,459</u>
Net assets, end of year	<u>\$ 1,080,344</u>	<u>930,827</u>

See accompanying notes to combined financial statements.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combined Statements of Cash Flows
Years ended December 31, 2019 and 2018
(Dollars in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 149,517	(11,632)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Restricted gifts and income	(12,707)	(9,603)
Impairment losses on investments	—	1,621
Impairment of goodwill	—	7,141
Gain on demutualization	(6,352)	(10,611)
Net realized and change in net unrealized gains and losses on investments	(75,399)	18,376
Pension related changes other than net periodic pension costs	(9,959)	15,100
Change in fair value of interest rate swaps	—	(1,593)
Settlement of swap	3,444	—
Depreciation and amortization	112,174	110,234
Amortization expense of operating leases	17,685	—
Payments of right-of-use lease obligations- operating leases	(16,554)	—
Loss on disposal of property and equipment	1,690	143
Changes in operating assets and liabilities:		
Receivables, net	(23,337)	(14,233)
Inventories	(1,815)	(3,890)
Prepaid expenses and other assets	2,818	(7,442)
Professional liability self-insurance reserve	5,312	16,122
Accounts payable	15,030	(4,271)
Accrued expenses and other liabilities	(14,048)	29,026
Accrued pension asset	5,880	6,465
Net cash provided by operating activities	153,379	140,953
Cash flows from investing activities:		
Additions to property and equipment	(111,471)	(137,473)
Change debt financed agreements	(5,362)	(5,241)
Investment purchases	(126,584)	(119,848)
Proceeds from investment maturities and sales	99,653	152,907
Proceeds from demutualization	1,182	17,311
Net cash used in investing activities	(142,582)	(92,344)
Cash flows from financing activities:		
Principal payments on long-term debt	(23,895)	(43,029)
Restricted gifts and income	13,121	9,618
Issuance of long-term debt	22,398	59,256
Cash received under finance lease obligations in 2019 and capital lease obligations in 2018	16,105	24,136
Principal payments on finance lease obligations in 2019 and capital lease obligations in 2018	(20,435)	(16,007)
Cash paid for financing costs	(163)	—
Net cash provided by financing activities	7,131	33,974
Net increase in cash and cash equivalents	17,928	82,583
Cash and cash equivalents, beginning of year	311,700	229,117
Cash and cash equivalents, end of year	\$ 329,628	311,700
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 28,343	28,183
Property and equipment acquired including amounts in accounts payable	674	1,570
Equipment acquired under finance lease obligations	16,644	24,740

See accompanying notes to combined financial statements.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Notes to Combined Financial Statements

December 31, 2019 and 2018

(Dollars in thousands)

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Albany Medical Center (the Center) was organized in 1982 as a not-for-profit corporation for the purpose of coordinating planning, financial management, resource utilization, fundraising, and policy direction for the Albany Medical Center Hospital (AMCH), the Albany Medical College (College), the Albany Medical Center Foundation, Inc. (AMC Foundation) and other related organizations.

The Center also includes its subsidiaries, the Albany Medical Center Kidskeller Corporation, doing business as Albany Med Kids, a not-for-profit day-care facility, Albany Medical Park South I, LLC, a limited liability company, Albany Med Subs, a limited liability company, and Madison Avenue Services Corporation, a taxable corporation.

In 2017, the Center entered into an affiliation agreement with Saratoga Hospital (Saratoga or SH), a voluntary not-for-profit charitable corporation incorporated in the State of New York, as its sole corporate member. Saratoga Hospital is the sole member of Saratoga Care, Inc., a not for profit organization established in the State of New York. The Saratoga Care Foundation is an operating division of Saratoga Care, Inc. established to raise funds to support the operations of Saratoga Hospital. Saratoga Regional Medical, P.C. (SRMPC) is a professional corporation incorporated in the State of New York for the sole purpose of employment of physicians and other licensed medical providers. SRMPC is controlled, organized and operated to support the mission of the Hospital. The affiliation was executed to enhance an existing clinical affiliation and allow both institutions to further their common mission of promoting the health of the communities they serve.

In 2016, the Center entered into an affiliation agreement with Columbia Memorial Hospital (CMH), a voluntary not-for-profit charitable corporation incorporated in the State of New York, as its sole corporate member that operates a 192-bed acute care facility located in Hudson, New York, a 21-unit apartment complex (Kaaterskill Commons, Inc. or KCI) located in Jefferson Heights, New York, and a charitable fundraising foundation (Columbia-Greene Hospital Foundation or the CMH Foundation). Under the affiliation agreement, the Center became the sole corporate member of CMH. The affiliation was executed to enhance an existing clinical affiliation and allow both institutions to further their common mission of promoting the health of the communities they serve.

In June 2013, the AMCH and Saratoga opened a jointly owned and operated diagnostic and treatment center (DTC). The DTC is sited on a portion of a 140 acre parcel of land Saratoga owns in Malta, NY. The DTC was established and operates as a separate not-for-profit corporation, Healthcare Partners of Saratoga, Inc. (HCP) (d/b/a Malta Med Emergent Care or MMEC), approved under Article 28 of New York State Public Health Law. The Hospital and AMCH are equal members of MMEC, with each entity able to appoint four members to the eight member Board of Directors of MMEC.

The combined financial statements of the Albany Medical Center and Related Entities (collectively referred to as the System) are designed to present, in a summarized fashion, an aggregation of all the financial resources and activities of the discrete operating entities comprising the Center and the aforementioned related entities. For the purposes of these combined financial statements, the System, excluding CMH and Saratoga, is referred to as AMC.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Notes to Combined Financial Statements

December 31, 2019 and 2018

(Dollars in thousands)

(b) Mission

The System's Mission, Vision, and Values statement is written as follows:

(i) Our Mission

We are committed to improving health by attaining the highest standard of quality in care delivery, education, and research initiatives.

(ii) Our Vision

As an academic medical system, we will deliver the best possible experience for all patients wherever we interact with them. We will foster teaching, learning and discovery, fiscal responsibility, and adaptability to change.

(iii) Our Values

- Excellence and continuous improvement
- Integrity in every decision we make
- Compassion and respect for the dignity of every person
- A diverse, inclusive and welcoming environment
- Collaboration throughout our organization
- Responsiveness to the people of our communities

(c) Basis of Presentation

The accompanying combined financial statements, which are presented on the accrual basis of accounting, have been prepared consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 954, *Healthcare Entities* (ASC 954), which addresses the accounting for healthcare entities. In accordance with the provisions of the ASC 954, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affected in each category is as follow:

- Without donor restriction – Net assets that are not subject to donor stipulations restricting their use but may be designated for specific purposes by the System or may be limited by contractual agreements with outside parties.
- With donor restrictions – Net assets subject to donor stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

All significant interinstitutional transactions and accounts have been eliminated in combination.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Notes to Combined Financial Statements

December 31, 2019 and 2018

(Dollars in thousands)

(d) Use of Estimates

The preparation of the accompanying combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and underlying assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant areas affected using estimates include the allowance for uncollectible accounts, third-party settlements, defined benefit pension assumptions, self-insurance reserves, and the valuation of certain investments, interest rate swaps and long-lived assets. These estimates and assumptions are based on management's best estimate and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including current economic environment. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates.

(e) Cash and Cash Equivalents

Cash and cash equivalents, as referred to in the combined statements of cash flows, consist of highly liquid investments with original maturities of less than three months, and excludes amounts included in assets whose use is limited. As more fully discussed in note 1(i), cash equivalents available for operating purposes are stated at fair value using Level 1 measurement.

(f) Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606). These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments for favorable and unfavorable settlements. Generally, the System bills the patients and third-party payors several days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our System receiving inpatient acute care services. The System measures the performance obligation from admission into the System to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the System does not believe it is required to provide additional goods or services to the patient.

**ALBANY MEDICAL CENTER
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Notes to Combined Financial Statements

December 31, 2019 and 2018

(Dollars in thousands)

Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in ASC 606-10-50-14 (a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System utilizes the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The System accounts for contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. As a result, the System has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract by contract basis.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The System estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual amounts, discounts, and implicit price concessions (routine uncollectible amounts). Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in transaction price were not significant in 2019 and 2018.

AMCH, CMH, Saratoga and the College have agreements with third party payors that provide for payments at amounts different from their established rates. Inpatient acute care services rendered are paid at prospectively determined rates per discharge in accordance with the Federal Prospective Payment System (PPS) for Medicare and generally at negotiated or otherwise pre-determined amounts under the provisions of the New York Health Care Reform Act (HCRA) and related legislation for all other third party payors. Reimbursement rates for Medicaid, Worker's Compensation, and No Fault are determined on a prospective basis defined by HCRA that is based on clinical, diagnostic and other factors. These rates also vary according to a patient classification system defined by HCRA that is based on clinical, diagnostic, and other factors. Inpatient nonacute and outpatient services are paid at various rates under different arrangements with third party payors, commercial insurance carriers and health maintenance organizations. The basis for payment under these agreements includes prospectively determined per diem rates, discounts from established charges, and fee schedules.

In addition, under HCRA, all non-Medicare payors are required to make surcharge payments for the subsidization of indigent care and other health care initiatives. The percentage amount of the surcharge varies by payor and applies to a broader array of health care services. Also, certain payors are required to make a covered lives payment to further fund the indigent care pools and other health care initiatives for inpatient services or through voluntary election to pay a covered lives assessment directly to the New York State Department of Health (DOH).

**ALBANY MEDICAL CENTER
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Notes to Combined Financial Statements

December 31, 2019 and 2018

(Dollars in thousands)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, and, in the normal course of business, the System is subject to contractual reviews and audits, including audits initiated by the Medicare Recovery Audit Contractor program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The System believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and the adequate provisions have been made for any adjustments that may result from final settlements.

(g) Inventories

Inventories are stated at the lower of cost (weighted average) or net realizable value on a first-in, first-out (FIFO) method.

(h) Investments and Investment Income

Investments and defined benefit pension plan assets are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. See notes 1(i) and 7 for a discussion of fair value measurements.

Investments represent funds available for operations (current) and endowed and other funds set aside for long-term planning and endowment purposes (long-term).

Investment income or loss (including realized and certain unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses (note 1(o)) unless the income or loss is restricted by donor or law. Effective January 1, 2019, upon adopting ASU 2016-01, changes in the fair market value of equity securities are reported as net unrealized gains and (losses) on investments in the statement of operations and changes in net assets through the performance indicator, which is the excess of revenues over expenses. Previously, such securities were classified as available for sale securities, and, as a result, unrealized gains and losses on investments were excluded from the determination of excess of revenue over expenses unless a decline in the market value of an available for sale investment security below its cost was designated to be other than temporary. For the year ended December 31, 2018, the charge for other-than-temporary impairment was \$1,621 and is included in net realized gains on sales of investment in the combined statement of operations.

**ALBANY MEDICAL CENTER
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Notes to Combined Financial Statements

December 31, 2019 and 2018

(Dollars in thousands)

(i) Fair Value Measurement of Financial Instruments

The System estimates fair value based on a valuation framework that uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy, as defined by ASC 820, *Fair Value Measurements and Disclosures*, are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for assets or liabilities.
- Level 2 – Prices other than quoted prices in active markets that are either directly or indirectly observable as of the date of measurement.
- Level 3 – Prices or valuation techniques that are both significant to the fair value measurement and unobservable and require significant management judgment or estimation or are investments with liquidity restrictions.

For investments that do not have a readily determinable fair value, the System calculates a net asset value per share (or its equivalent) that estimates the fair value of investments based on the investment's net asset value (NAV) per share or its equivalent as a practical expedient.

(j) Deferred Compensation Agreements

AMC sponsors a deferred compensation plan consistent with IRC §457(b)(6). Each eligible employee (participant) may elect to defer a portion of their compensation as an employee contribution. The employer contribution is 3% or 4% of excess compensation depending on the employee's employment date with AMC. Excess compensation represents the portion of an employee's gross compensation in excess of earnings as defined under the Albany Medical Center Retirement Plan (see note 10(a)). The employer contribution for a plan year will be made if the employee remains in employment for 60 days after that calendar year-end to which the contribution relates. The obligation of AMC will not exceed the actual amount or value of the participant accounts. In addition, Saratoga also sponsors an IRC §457(b)(6) plan. The value of the AMC and Saratoga participant accounts is included in other liabilities, long-term at December 31, 2019 and 2018. The deferred compensation amounts are invested in mutual and common funds, for which fair value is based on Level 1 and Level 2 measurements, respectively.

(k) Property and Equipment

Property and equipment are recorded at cost except in the case of gifts, which are recorded at fair value at the date of donation. Property and equipment under finance leases (2018 – capital leases) are stated at the present value of minimum lease payments. Costs include interest incurred on related indebtedness during periods of construction. Depreciation and amortization of property and equipment are computed by the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. Leasehold improvements are depreciated over the shorter of the lease term or useful life of the asset.

**ALBANY MEDICAL CENTER
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Notes to Combined Financial Statements

December 31, 2019 and 2018

(Dollars in thousands)

(I) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Indefinite-lived intangible assets are assets that are not amortized as there is no foreseeable limit to cash flows generated from them.

In recent years, the College and Saratoga acquired physician practice groups. Goodwill totaling \$10,700 is recorded as of December 31, 2019 and 2018, which is included in other long-term assets in the accompanying combined balance sheets.

In 2019, the System adopted ASU 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternative on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*, which requires management to assess and measure impairment only if a triggering event occurs. If there is a triggering event, a qualitative assessment to determine whether it is more-likely than-not that the fair value of the entity is less than its carrying amount prior to performing a quantitatively based goodwill impairment test (prior to ASU 2019-06, such an analysis was done at a reporting unit level instead of entity-wide). If it is more-likely than-not that the fair value is greater than its carrying amount, a quantitative goodwill impairment test is not required. If the fair value is less than its carrying amount, an indication of goodwill impairment exists, and an impairment loss is recognized for any excess of the carrying amount of the goodwill over the implied fair value of that goodwill. No impairment of goodwill was recognized in 2019 and approximately \$7,100 of College related goodwill was impaired in 2018.

(m) Student Loan Receivables

Student loan receivables are comprised principally of federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

(n) Tuition revenue recognition and deferred revenue

College tuition revenue is recognized over the duration of the respective academic semester to which the revenue charges relate. Tuition revenue is billed and paid semi-annually in advance of the academic period and such payments are due prior to the start of the academic semester. Deferred revenue represents payments received prior to the start of the academic semester or for academic services not yet provided. Students who adjust their course load or withdraw within a defined period of time may receive a full or partial refund in accordance with the College's refund policy. Historically, refunds have not been material. Refunds issued reduce the amount of revenue recognized. The College applies the practical expedient in FASB ASC 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(o) Excess of Revenue over Expenses

The combined statements of operations and changes in net assets include a performance indicator, the excess of revenue over expenses. Changes in net assets without donor restrictions, which are

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excluded from the excess of revenue over expenses, net assets released from restrictions used for the purchase of property and equipment, the effective portion of change in fair value of interest rate swaps, and changes in the funded status of the pension plan other than net periodic pension costs.

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services, including interest and dividend income related to unrestricted investments realized gains or short-term investments, are reported as operating revenue and expenses in the determination of the System's operating results. Activities, including unrestricted contributions associated with the furtherance of the System's mission are considered to be operating activities. Peripheral transactions including certain realized and unrealized gains and losses are reported as nonoperating activity.

Activities that are nonrecurring in nature and otherwise not considered recurring peripheral transactions, such as settlements of swaps, gains on liquidation of investment portfolios, gains on affiliations, and certain long-lived asset impairments are reported as nonrecurring activities, and are included in the performance indicator.

(p) Charity and Uncompensated Care

As part of its mission, the System's care is provided to all patients regardless of their ability to pay for services rendered. Patients who meet established criteria of the System qualify for charity care. Charity care is defined as services for which patients have the obligation and willingness to pay but do not have the ability to do so. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The System maintains records to identify and monitor the level of charity care it provides. The cost of charity care provided was determined based on the application of a ratio of overall costs to patient charges.

(q) Insurance Programs

AMC and, effective August 1, 2019, Saratoga are self-insured for losses arising from medical malpractice, general liability insurance, and worker's compensation claims. The provision for self-insured losses includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Independent actuaries have been retained to assist AMC and Saratoga with determining the provision for self-insured losses. AMC and Saratoga also provide self-insured health benefits to employees and have recorded a provision for estimated claims based on past experience. The provision for self-insured losses includes estimates of the ultimate costs for both reported claims and claims incurred but not yet reported. See note 12 for further discussion regarding professional liability and workers' compensation plans.

CMH and, prior to August 1, 2019, Saratoga have professional liability insurance coverage provided on a claim-made basis. CMH has historically renewed and continued to renew their coverage on a claim-made basis through April 1, 2020. Effective April 1, 2020, CMH purchased tail coverage insurance and became self-insured for losses arising from medical malpractice, general liability insurance, and worker's compensation claims. Under the professional liability insurance coverage, CMH and, prior to August 1, 2019, Saratoga, all known asserted and unasserted claims arising from reported incidents have been communicated to the insurer who is responsible for resolving the claim

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and the related cost of litigation. CMH and Saratoga have recognized provisions for estimates incurred but not reported claims when material.

(r) Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received which is then treated as the cost basis. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as donor 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, these restricted net assets are reclassified as net assets without donor restrictions and reported in the combined statements of operations and changes in net assets as net assets released from restrictions. Donor restricted gifts of capital assets or funds for such assets are recognized as donor restricted net assets and released when the corresponding assets are placed in service.

The contributions receivable are collectible over future periods and have been recorded at their estimated present value (note 8).

(s) Income Taxes

With the exception of Madison Avenue Services Corporation, Albany Med Subs, Albany Medical Park South I, LLC and Better Health of Northeast New York, Inc. all entities comprising the System are not-for-profit corporations under Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes pursuant to Section 501(a) of the Code. Better Health of Northeast New York, Inc. is a 501(c)(6). Income taxes associated with Madison Avenue Services Corporation are not material to the combined financial statements. In addition, Albany Medical Park South I, LLC and Albany Med Subs, are limited liability companies which are disregarded entities for income tax purposes. The System recognizes income tax positions when it is more-likely than-not that the position will be sustainable based on the merits of the position. Management has concluded that there are no uncertain tax positions that need to be recorded as of December 31, 2019 and 2018.

(t) Derivative Instruments and Hedging Activities

The System accounts for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the combined balance sheet at their respective fair values.

The System, on the date derivative contracts are executed, designates certain derivatives to the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For such designated hedging relationships, the System formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring and recording ineffectiveness. This process includes linking all derivatives that are designated as cash-flow hedges to specific assets and liabilities on the combined balance sheets.

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The System formally assesses, both at a designated hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded as a change in net assets without donor restrictions to the extent that the derivative is effective. Any ineffectiveness associated with the cash flow hedge is recorded in nonoperating gains (losses) in the combined statements of operations and changes in net assets.

The System will discontinue hedge accounting prospectively when it is determined that the derivative is no longer highly effective in offsetting changes in the cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is undesignated as a hedging instrument, a hedged firm commitment no longer meets the definition of a firm commitment, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

(u) Asset Retirement Obligations

The System recognizes a liability for the fair value of asset retirement obligations if the fair value of the liability can be reasonably estimated. As of December 31, 2019 and 2018, included as a component of other long-term liabilities, the System has recorded \$3,273 and \$3,942, respectively, for asset retirement obligations and are recorded as other long-term liabilities.

(v) Endowment Funds

The System's net assets with donor restrictions includes individual endowment funds established by donors to support a variety of purposes, among other donor restricted funds.

The New York Prudent Management of Institutional Funds Act (NYPMIFA or Act) is New York State's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which provides standards of fund management for those charged with governance of institutional or endowment funds. The Act requires covered organizations to take specific actions with respect to appropriation from endowment funds and investment of institutional funds, including adoption of a written investment policy; diversification of investments; and adherence to a specified process to lift donor restrictions, which is only allowable in certain limited circumstances. The Act permits an institution to determine the appropriate level of endowment expenditure, subject to donor-imposed restrictions expressed in the gift instrument. It establishes a rebuttable presumption of imprudence. However, if such expenditure in any year is greater than 7% of the fair market value of an endowment funds established by a gift instrument entered on or after the effective date of the Act.

The System classifies as net assets with donor restrictions (a) the original value of gifts donated to an endowment fund; (b) the original value of subsequent gifts to that fund, and (c) accumulations to the fund made in accordance with the direction, if any of the applicable donor gift instrument at the time the accumulation is added to the fund. Expendable portions of endowment gifts restricted by donors to specific purposes and any retained income and appreciation thereon is included as a component of net assets with donor restrictions. When the restrictions on these assets have been met, the assets are reclassified to net assets without donor restrictions pursuant to AMC, Saratoga, and CMH's respective spending policy.

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(w) Other Assets

Other assets consist of equity investments in joint ventures, recoverable reinsurance amounts related to workers compensation and professional liability claims, and goodwill recognized in connection with physician practice acquisitions.

(x) Reclassifications

Certain amounts in the 2018 combined financial statements have been reclassified to conform to 2019 presentation. Also see note 1(y).

(y) Recent Accounting Pronouncements

(i) Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Subsequent amendments and guidance were issued through 2019, including ASU 2018-11, *Targeted Improvements to Leases (Topic 842)*, which amended the original guidance to allow for the adoption of ASU 2016-02 to be applied retrospectively at the beginning of the period of adoption, which was January 1, 2019 for the System, without revising prior comparative periods.

The System adopted this standard using the effective date method, with the cumulative-effect adjustment recorded at the beginning of the period of adoption. As a result, the System's assets and liabilities increased \$118,211. Additional capital lease liabilities were reclassified to short and long term lease liabilities – finance leases on the combined balance sheet. The adoption of ASU 2016-02 did not impact results of operations or net assets.

The adoption methodology used by the System allowed several practical expedients that were applied including the use hindsight in determining the lease term when considering lessee options to extend or terminate the lease and in assessing impairment in the right-of-use asset.

(ii) Contributions Made and Contributions Received

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Audit Guidance for Contributions Received and Contributions Made*, which clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profits. The standard also clarifies the guidance on how entities determine when a contribution is conditional. The System adopted ASU 2018-08 effective January 1, 2019 using the modified retrospective approach, which resulted in \$32,036 previously recorded as deferred revenue being reclassified to net assets with donor restrictions.

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(iii) Financial Instruments

In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which makes targeted improvements to accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income which effectively removed the available for sale equity category.

The System adopted ASU 2016-01, using the cumulative effect method as of January 1, 2019. As a result of the adoption, on a prospective basis the System will recognize unrealized gains and losses arising from the changes in the fair value of such securities through the performance indicator. ASU 2016-01 prohibits the restatement of prior period financial statements and for periods ending prior to January 1, 2019, unrealized gains and losses from the changes in fair value of available-for-sale equity securities were recorded in changes in net assets without donor restrictions.

(iv) Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Costs

In March 2017, FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 improves the presentation of net periodic pension cost and net periodic benefit cost by requiring that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside of income from operations.

The System adopted ASU 2017-07 as of January 1, 2019, recording the service cost component the System's pension plans within employee benefit expense and the other components of net benefit cost as a component of the system's nonoperating activities. See note 11.

(2) Community Benefit, Charity Care and Uncompensated Care

(a) Community Benefit

The System offers numerous community benefit programs and services in community-based settings in response to the needs of the communities it serves. They include community health fairs, health screenings, health education lectures and workshops for community groups and the general public, consumer health information, facilitated (insurance plan) enrollment services and clinical services such as outpatient clinics, adult and pediatric care services, neonatal intensive care services and behavioral health services. Staff members of the System also participate in community leadership efforts by donating significant hours of board service to other not-for-profit organizations. The System supports graduate medical education and offers health professions education support for community members through continuing education programs and scholarships.

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(b) Charity and Uncompensated Care

The System's net cost of charity care, including payments to and receipts from the statewide pool for 2019 and 2018, was as follows:

	Year ended December 31	
	2019	2018
Charity care at cost	\$ 14,684	12,737
Payments to statewide pool	9,022	10,595
Receipts from statewide pool	(8,030)	(7,091)
 Cost of charity care, net	 \$ 15,676	 16,241

The cost of charity care provided was determined using direct and indirect costs to provide services based on the application of the ratio of the System's overall cost to patient charges.

The System also subsidizes services to Medicaid patients which are paid at reimbursement levels below the System's cost of rendering the related services. In addition, during 2019 and 2018, the System incurred approximately \$38,000 and \$29,100 in provisions for uncollectable accounts, respectively.

(3) Liquidity

As of December 31, 2019, and 2018, combined financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 329,628	311,700
Short-term investments	197,902	133,131
Patient accounts receivable, net	202,595	182,376
Contributions receivable	4,663	5,276
Other receivables	32,836	28,327
Board designations:		
Funds functioning as endowment available for operations	20,000	10,625
Total financial assets available within one year	 \$ 787,624	 671,435

The System's revenues and related operating activities are generally not seasonal in nature. Funds functioning as endowments may be made available for operations by action of the respective hospital's

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board. In addition, the System has access to unused lines of credit (see note 16(b)) that may be used for operations of which \$6,000 are available for greater than 12 months as of December 31, 2019.

(4) Net Patient Service Revenue

The composition of net patient service revenue by primary payor for the years ended December 31 is as follows:

	2019		2018	
Medicare	\$ 365,443	20 %	\$ 338,299	19 %
Medicaid	40,624	2	36,157	2
Medicare and Medicaid				
Managed Care	445,029	24	516,544	30
Commercial carriers	892,180	49	757,458	44
No fault and worker's compensation	33,283	2	32,062	2
Self pay and other	63,810	3	59,223	3
	<hr/> <u>\$ 1,840,369</u>	<hr/> <u>100 %</u>	<hr/> <u>\$ 1,739,743</u>	<hr/> <u>100 %</u>

Revenue from patient's deductibles and coinsurance are included in the preceding categories based on the primary payor.

The System's primary geographic areas are generally consistent with its hospital settings. The composition of net patient care service revenue based on each hospital's lines of business and method of reimbursement for the years ended December 31, 2019 and 2018 are as follows:

	2019			
	AMC	CMH	SH	Total
Service lines:				
Hospital – inpatient	\$ 758,146	40,370	122,721	921,237
Hospital – outpatient	303,760	74,130	163,585	541,475
Physician services	<u>244,918</u>	<u>25,908</u>	<u>88,826</u>	<u>359,652</u>
	<hr/> <u>\$ 1,306,824</u>	<hr/> <u>140,408</u>	<hr/> <u>375,132</u>	<hr/> <u>1,822,364</u>
Method of reimbursement:				
Fee for service	\$ 1,297,619	140,408	368,604	1,806,631
Capitation and risk sharing	—	—	6,528	6,528
Other	<u>9,205</u>	<u>—</u>	<u>—</u>	<u>9,205</u>
	<hr/> <u>\$ 1,306,824</u>	<hr/> <u>140,408</u>	<hr/> <u>375,132</u>	<hr/> <u>1,822,364</u>

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Healthcare services are generally recognized as the services are transferred over time. MMEC patient service revenue of \$18,005 is primarily outpatient and fee for service based for 2019.

In addition to the above, other operating revenues and gains includes revenue recognized for various other System activities, including AMC retail pharmacy of approximately \$10,793, which is recognized on a point in time basis; CMH and AMC pharmacy rebates (340B Program) of \$10,947, which is recognized as cash rebates are received; and AMC, CMH and Saratoga contracted health services of approximately \$7,300, which are recognized over the period the services are provided. There are no material contract assets or liabilities associated with these activities.

	2018			
	AMC	CMH	SH	Total
Service lines:				
Hospital – inpatient	\$ 750,532	43,798	112,737	907,067
Hospital – outpatient	266,736	71,877	156,228	494,841
Physician services	<u>218,734</u>	<u>24,914</u>	<u>77,468</u>	<u>321,116</u>
	<u><u>\$ 1,236,002</u></u>	<u><u>140,589</u></u>	<u><u>346,433</u></u>	<u><u>1,723,024</u></u>
Method of reimbursement:				
Fee for service	\$ 1,229,741	140,589	340,005	1,710,335
Capitation and risk sharing	—	—	6,428	6,428
Other	<u>6,261</u>	<u>—</u>	<u>—</u>	<u>6,261</u>
	<u><u>\$ 1,236,002</u></u>	<u><u>140,589</u></u>	<u><u>346,433</u></u>	<u><u>1,723,024</u></u>

Healthcare Services are generally recognized as the services are transferred over time. MMEC patient service revenue of \$16,719 is primarily outpatient and fee for service based for 2018.

In addition to the above, other operating revenues and gains includes revenue recognized for various other System activities, including AMC retail pharmacy of approximately \$5,653, which is recognized on a point in time basis; CMH and AMC pharmacy rebates (340B Program) of \$9,550, which is recognized as cash rebates are received; and AMC, CMH and Saratoga contracted health services of approximately \$7,278, which are recognized over the period the services are provided. There are no material contract assets or liabilities associated with these activities.

AMCH, Saratoga, and CMH are required to prepare and file various reports of actual and allowable costs annually. Provisions have been made in the combined financial statements for prior and current years estimated final settlements by applying the expected value and most likely amount methods under ASC 606. The difference between the amount provided and the actual final settlement is recorded as an adjustment to net patient service revenue in the year the final settlement is determined. During 2019 and 2018, the AMCH, Saratoga and CMH recorded adjustments for estimated settlements with third-party payors which resulted in an increase to net patient service revenue of approximately \$8,517 and \$7,886, respectively. The laws and regulations governing the reimbursement for health care services are complex and subject to interpretation. Third-party payors retain the right to review and propose adjustments to

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amounts requested and recorded by the AMCH, Saratoga, CMH and College. In the opinion of management, retroactive adjustments, if any, would not be material to the combined financial position or results of operations of the collective System.

Cost reports supporting third party service revenue have been audited and finalized through December 31, 2016 by the designated intermediaries. Cost reports through 2017 and 2018 have been filed. The 2017 Medicare cost report is under desk review but has not been finalized. The 2018 cost report has not been audited. A provision for the estimated settlements for all open years has been recorded at December 31, 2019 and 2018. In the opinion of management, no material adjustments are expected to result from the audit of 2017 through 2019 cost reports. The System has classified a portion of the accrual for estimated third-party payor settlements as other long-term liabilities because such amounts, by their nature or by virtue of regulations or legislation, will not be settled within one year.

As of December 31, 2019 and 2018, significant concentrations of patient accounts receivable are as follows:

	2019	2018
Medicare	14 %	18 %
Medicaid	5	5
Medicaid and Medicare managed care	25	31
Commercial carriers	44	36
No-fault and worker's compensation	4	5
Private pay	2	2
Other third party payors	6	3
	<hr/> 100 %	<hr/> 100 %

(5) Medicaid Delivery System Reform Incentive Payment Program

In April 2014, the Governor of the State of New York announced federal approval of a Medicaid 1115 waiver amendment that will enable the State to reinvest over \$8.0 billion in federal savings generated by various Medicaid redesign reform programs. One component of the waiver is the Delivery System Reform Incentive Payment (DSRIP) program, which is to provide incentives for Medicaid providers to create and sustain an integrated, high performing health care delivery system that can effectively and efficiently meet the needs of the Medicaid beneficiaries and low-income uninsured individuals in their local communities while reducing avoidable hospital use by 25% over 5 years. Up to \$6.42 billion dollars are allocated to this program, with payouts based upon achieving predefined results in system transformation, clinical management and population health.

To execute the program on a statewide basis, the Department of Health (DOH) directed the formation of twenty-five DSRIP Performing Provider Systems (PPS), each of which is a collaborative network of healthcare providers and similar organizations, throughout the state. Each PPS is to be led by a DOH

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designated healthcare origination (PPS Lead) that would identify health providers in their region and collaboratively administer the PPS's achievement of the DSRIP program goals and requirements.

In 2015, upon completing a DSRIP Project Plan Application to be designated as a PPS Lead, AMCH received a Project Plan Award Letter from the DOH notifying AMCH that it was designated the PPS Lead for the Albany Medical Center Hospital PPS, effective April 1, 2015 through December 31, 2020. The Project Plan Award provided that the PPS would be eligible for approximately \$134,000 of project funding, plus additional incentives, over the term of the project. Such funding is intended to aid in the cost of the project implementation, revenue loss and other project efforts, as well as incentivize successful and innovative program efforts. This funding is to not be used for capital acquisitions. Payments under the DSRIP program are tied to process and performance achievements over a five-year period through March 31, 2020, where such amounts awarded, if any, will be determined by DOH. The DSRIP program includes a number clinical and administrative compliance and reporting requirements as well as oversight by various State agencies and other organizations working on the State's behalf.

During 2015, AMCH, in its role as PPS Lead, organized a network of providers and established the necessary clinical, administrative, and governance related structures, to work actively with its PPS network to meet the requirements of the program. AMCH, Saratoga, and CMH are participating providers in the PPS among other health providers. In addition, effective February 2017, AMCH formed and began operating Better Health for Northeast New York, Inc., to execute the administrative functions and responsibilities of the PPS network.

During 2019 and 2018, as the PPS Lead, AMCH recognized \$14,573 and \$16,800, respectively, as unrestricted grant income within net assets released from restrictions in 2019 and other operating revenue in 2018 based on direct cost incurred or programmatic activities under the program. The remaining funds received, which have programmatic requirements, will be distributed to the providers in the PPS network, which includes AMCH, the College, Saratoga, and CMH in their role as PPS Providers, based on the achievement of certain project milestones in furtherance of the program. In periods prior to 2019, such funds were recognized as deferred revenue in the combined balance sheet. Upon the adoption of ASU 2018-08, such amounts are recognized through donor restricted net assets until released from restriction. Cash on hand associated with this program is recorded in cash and cash equivalents at December 31, 2019 and 2018 were \$41,654 and \$33,008, respectively.

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(6) Investments

Investments, stated at fair value, consist of the following as December 31:

	2019	2018
Assets whose use is limited:		
Cash and cash equivalents	\$ 12,403	8,529
Equity securities	59,777	53,162
U.S. government and agency obligations	35,393	30,805
Common collective trust funds	6,183	5,933
Fixed income securities	<u>38,699</u>	<u>41,608</u>
	<u>\$ 152,455</u>	<u>140,037</u>
Investments:		
Cash and cash equivalents	\$ 10,398	2,415
Equity securities	186,237	147,957
U.S. government and agency obligations	3,726	—
Fixed income securities	99,428	77,905
Common collective trust funds	35,642	30,544
Limited partnerships	<u>92,925</u>	<u>85,895</u>
	<u>428,356</u>	<u>344,716</u>
Less investments, current	<u>197,902</u>	<u>133,131</u>
	<u>\$ 230,454</u>	<u>211,585</u>
	 2019	 2018
Assets held in charitable trusts:		
Cash and cash equivalents	\$ 230	258
Equity securities	2,072	1,717
Common collective trust funds	128	121
Fixed income securities	<u>1,160</u>	<u>1,193</u>
	<u>\$ 3,590</u>	<u>3,289</u>

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Investment related income included in the statements of operations and changes in net assets on cash and cash equivalents and investments are comprised of the following for the years ended December 31:

	2019	2018
Operating revenue:		
Interest income, net of investment fees	\$ 10,371	6,647
Realized net gain on sales of securities	<u>6,058</u>	<u>10,754</u>
	<u>\$ 16,429</u>	<u>17,401</u>
Nonoperating, nonrecurring, and donor restricted gains:		
Interest income, net of investment fees	\$ 3,776	2,376
Impairment charge related to other-than-temporary declines in value of investment securities	—	(1,621)
Change in unrealized gains/losses	62,908	(754)
Realized net gain on sales of securities	<u>5,949</u>	<u>33,066</u>
	<u>\$ 72,633</u>	<u>33,067</u>

(7) Fair Value Measurements

The following is a description of the valuation methodologies used by the System for its assets and liabilities measured at fair value on a recurring basis:

(a) Cash Equivalents

Cash equivalents are valued at \$1.00 per unit, as reported by the financial institution.

(b) Equity, Fixed Income Securities, and Common Collective Trust Funds

The System's equity and fixed income portfolios consist of direct investment in individual equity and fixed income securities that are valued based on readily determinable quoted market prices (Level 1 measurements). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or, if necessary, matrix pricing from a third-party pricing vendor to determine fair value (Level 2 measurements). Matrix prices are based on quoted prices for fixed income securities with similar coupons, ratings and maturities, rather than on specific bids and offers for a designated security.

In addition, the System's equity and fixed income portfolios include investments in actively traded mutual funds valued at the closing price on the active market in which the individual funds are traded (Level 1 measurements) and pooled/commingled investment funds where the System owns shares, units, or interests of pooled funds rather than the underlying securities in the fund. The pooled/commingled funds are measured at fair value based on the nature of the underlying investments and have been determined to have a readily determinable fair value (Level 1).

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(c) Limited Partnerships

Limited partnerships consist of real estate, hedge funds, and other investment strategies. Limited partnership investments are redeemable with the fund at NAV under the original terms of the partnership agreement and/or subscription agreements. The estimation of fair value of investments in limited partnerships for which the underlying securities do not have a readily determinable value is made using the NAV per share or its equivalent as a practical expedient. The System owns interests in these funds, which in turn invest in related investment funds, rather than the System having direct ownership of the underlying securities held by the investment funds. The System used NAV as a practical expedient to estimate the fair value of limited partnership investments and are therefore reported separately from those investments categorized as Level 1, 2, or 3 in the hierarchy table.

(d) Interest Rate Swaps

The fair value of interest rate swaps is determined based on future cash flows calculated through a projection of forward rates, which are then discounted at observable market rates to their present value (see note 16).

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments or a reflection on the liquidity of each fund's underlying assets and liabilities.

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The following tables present the System's assets and liabilities that are measured at fair value as of December 31, 2019 and 2018, on a recurring basis. Financial instruments are classified in their entirety or at NAV (or equivalent) based on the lowest level of input that is significant to the fair value measurement:

	2019					
	Level 1	Level 2	NAV or equivalent	Total	Redemption or liquidation	Days notice
Assets:						
Cash and cash equivalent	\$ 23,031	—	—	23,031	Daily	1
U.S. government and agency obligations	2,108	37,011	—	39,119	Daily	1
Equity mutual funds	248,086	—	—	248,086	Daily	1–30
Fixed income mutual funds	123,247	16,040	—	139,287	Daily	1–30
Common collective trust fund	41,953	—	—	41,953	Quarterly	30
Limited partnerships	—	—	92,925	92,925	Quarterly	45–365
Total	\$ 438,425	53,051	92,925	584,401		
Liabilities:						
Interest rate swaps	\$ —	6,229	—	6,229		
2018						
	Level 1	Level 2	NAV or equivalent	Total	Redemption or liquidation	Days notice
Assets:						
Cash and cash equivalents	\$ 11,202	—	—	11,202	Daily	1
U.S. government and agency obligations	1,131	30,665	—	31,796	Daily	1
Equity securities	202,836	—	—	202,836	Daily	1–30
Fixed income securities	102,486	17,229	—	119,715	Daily	1–30
Common/collective trust funds	36,357	—	—	36,357	Quarterly	30
Limited partnerships	—	—	86,136	86,136	Quarterly	45–365
Total	\$ 354,012	47,894	86,136	488,042		
Liabilities:						
Interest rate swaps	\$ —	2,803	—	2,803		

As of December 31, 2019, the System can redeem or sell its investments at fair value in accordance with the following terms: daily \$442,295, monthly \$44,465, quarterly \$37,425, annually \$12,405, greater than 1 year \$47,811.

As of December 31, 2018, the System can redeem or sell its investments at fair value in accordance with the following terms: daily \$367,807, monthly \$35,061, quarterly \$35,279, annually \$45,332, greater than 1 year \$4,563.

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The System had no financial instruments that are classified as Level 3 measurements as of December 31, 2019 and 2018. There were no significant transfers between Level 1 and Level 2 fair value measurements due to changes in valuation methodologies during the years ended December 31, 2019 and 2018.

(8) Contributions Receivable

Included in contributions receivable at December 31 are the following unconditional promises to give:

	2019	2018
Redevelopment	\$ 10,806	11,507
Research, education, and other	6,629	7,577
Unconditional promises to give before unamortized discount and allowance for uncollectibles	17,435	19,084
Less unamortized discount and allowance for uncollectibles	4,538	4,333
Net unconditional promises to give	\$ 12,897	14,751
Amounts due in:		
Less than one year	\$ 4,663	5,276
One to five years	12,397	10,185
More than five years	375	3,623
	\$ 17,435	19,084

Contributions receivable reflect their net present value using discount rates based on average interest rates available on treasury bills with similar terms at the time the gift was pledged. Due to the various terms and dates, these discount rates range from 1.4% to 3.8%.

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(9) Property and Equipment

Property and equipment at December 31 consisted of:

	2019	2018
Land and land improvements	\$ 44,303	43,791
Buildings and fixed equipment	1,179,159	1,128,216
Moveable equipment	491,901	446,735
Projects in progress	<u>18,002</u>	<u>17,413</u>
	1,733,365	1,636,155
Property held under finance leases (2018 – capital leases)	<u>165,163</u>	<u>126,099</u>
	1,898,528	1,762,254
Less accumulated depreciation and amortization	<u>970,316</u>	<u>859,598</u>
	<u>\$ 928,212</u>	<u>902,656</u>

(10) Long-Term Debt

Long-term debt at December 31 consisted of:

	2019			2018	
	Center/ AMCH	CMH	Saratoga	Total	Total
Mortgage Loans (FHA Insured) AMCH (a)	\$ 328,833	—	—	328,833	329,401
Mortgage Loan (b)	—	860	—	860	914
IDA/CRC Bonds (c) (d) (e)	103,349	12,270	60,186	175,805	186,093
Installment Payable (f)	—	—	1,241	1,241	1,306
Term Loans (g) (h) (i)	<u>24,421</u>	<u>3,059</u>	<u>3,598</u>	<u>31,078</u>	<u>20,789</u>
	456,603	16,189	65,025	537,817	538,503
Less current maturities of long-term debt	<u>17,314</u>	<u>1,167</u>	<u>4,128</u>	<u>22,609</u>	<u>22,052</u>
	439,289	15,022	60,897	515,208	516,451
Less deferred financing costs	<u>4,282</u>	<u>533</u>	<u>715</u>	<u>5,530</u>	<u>5,845</u>
	<u>\$ 435,007</u>	<u>14,489</u>	<u>60,182</u>	<u>509,678</u>	<u>510,606</u>

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(a) Mortgage Loans (FHA Insured) – AMCH

- (i) In December 2010, AMCH closed on a \$321,440 Mortgage Loan, (2010 Mortgage Loan) which was comprised of a “Refinance Loan” of \$9,584 and a “Patient Tower” Loan of \$311,856 (which was reduced by \$50,220 to \$261,636 at Final Endorsement). The 2010 Mortgage Loan is insured under the FHA-241 program, with Prudential Huntoon Paige Associates as the lender.

The 2010 Mortgage Loan is currently secured by a first lien mortgage on substantially all of AMCH’s property, equipment, and gross receipts, and a first mortgage lien on the South Clinical Campus of AMCH.

The Refinance Loan was used to retire the Series 1999 Bonds, the original purpose of which was to acquire properties and rights of the former Child’s Hospital and Samaritan Service Corporation. The interest rate is 4.66% on the Refinance Loan. Monthly principal and interest payments of approximately \$65 are payable through May 1, 2029.

The Patient Tower Loan was used to finance AMCH’s expansion project consisting of a six-story patient tower, which contains 96 new beds, 20 new operating rooms and a co-generation plant. Final endorsement occurred in September 2014 in the amount of \$261,636. The Patient Tower Loan has an interest rate of 6.2% and a maturity date of July 2038, with monthly principal and interest payments of approximately \$1,731.

Future principal payments on both components of the 2010 Mortgage Loan for the next five years and thereafter are as follows:

Years ending December 31:		
2020	\$	7,285
2021	\$	7,741
2022	\$	8,226
2023	\$	8,742
2024	\$	9,290
Thereafter	<hr/>	<hr/> 193,496
Total	<hr/> <hr/>	<hr/> <hr/> 234,780

- (ii) On February 26, 2014, the Center transferred ownership of a campus parking garage to AMCH, and the existing ground lease with Albany Stratton VA Medical was assigned to AMCH. The associated mortgage loan (Garage Loan) in the original amount of \$38,425 is insured under the FHA-241 Program, with Prudential Huntoon Paige Associates as the lender. It is secured by a leasehold mortgage on the parking garage, as well as a lien on substantially all of the AMCH’s property, equipment and gross receipts. The Garage Loan has a fixed interest rate of 3.86% and a maturity date of May 2034, with monthly principal and interest payments of approximately \$230.

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Future principal payments on the Garage Loan for the next five years and thereafter are as follows:

Years ending December 31:		
2020	\$	1,622
2021		1,686
2022		1,752
2023		1,821
2024		1,893
Thereafter		<u>21,445</u>
Total	\$	<u>30,219</u>

- (iii) In April 2017, AMCH closed on a \$65,000 FHA insured construction loan (2017 Mortgage Loan) to finance the costs to construct a new Pediatric Emergency Department building and complete other renovations within the AMCH complex to increase patient care capacity. The 2017 Mortgage Loan is insured under the FHA-241 Program, with Prudential Huntoon Paige as the lender. It is secured by a lien on substantially all of AMCH's property, equipment, and gross receipts. The loan has a fixed interest rate of 4.26%, with an interest only 23 month construction period. Interest costs during the construction period have been included within the loan budget. Principal payments commenced in April 2019 based on a 25 year schedule and the loan matures on March 1, 2044. Construction began in the spring of 2017 and was completed mid 2019.

Future principal payments on the 2017 Mortgage Loan for the next five years and thereafter are as follows:

Years ending December 31:		
2020	\$	1,538
2021		1,605
2022		1,675
2023		1,747
2024		1,823
Thereafter		<u>55,446</u>
Total	\$	<u>63,834</u>

The Regulatory Agreement for all of the FHA 241 Mortgage Loans requires AMCH to provide specific financial information and to measure and report on certain covenants annually. In addition, HUD requires the maintenance of a Mortgage Reserve Fund (MRF) at a banking institution, with funding to be made in accordance with the MRF Schedule.

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(b) Mortgage Loans – CMH

- (i) In May 2008, CMH closed on a 15-year mortgage note payable to the Bank of Greene County in an original amount of \$104, maturing May 2023, secured by property at 850 Columbia Street in Hudson, NY. The note amortizes via monthly principal and interest payments at a fixed interest rate of 5.25%.

Future principal payments on the mortgage note payable for the next five years and thereafter are as follows:

Years ending December 31:		
2020	\$	9
2021		9
2022		9
2023		4
		<u>31</u>
Total	\$	<u>31</u>

- (ii) On December 6, 2017, CMH closed on a ground lease mortgage loan with Chemung Canal Trust Company, with a total commitment amount of \$1,100. Of this total, \$900 was advanced at closing to buy out a ground lease and for building improvements on the CMH campus. The remainder is available for building renovation expenses but has not been advanced as of December 31, 2019. The Mortgage Loan has an interest rate of 4.70% until June 1, 2023. Final maturity is June 1, 2028, with loan amortization commencing June 1, 2018 over a 20-year period.

Future principal payments on the mortgage note payable for the next five years and thereafter are as follows:

Year ending December 31:		
2020	\$	45
2021		45
2022		45
2023		45
2024		45
Thereafter		604
Total	\$	<u>829</u>

(c) IDA/CRC Bonds Payable – Center/AMCH

- (i) Series 2014A CRC Bonds – AMCH

On September 10, 2014, AMCH closed on Series 2014A CRC Tax-Exempt Revenue Bonds in the amount of \$22,000 (Series 2014A Bonds). The proceeds of the bonds were utilized for the

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reconstruction and renovation of certain portions of the existing AMCH facility and the acquisition of certain machinery and equipment for these existing facilities. The Series 2014A Bonds mature on September 10, 2039. Subject to the terms of the Series 2014A Bond Indenture, the bonds were initially issued in the Bank Purchase Rate Mode, and privately held by a financial institution (Initial Bonds). Principal and interest are payable over a 25-year term, with a mandatory tender date for the Initial Bonds of September 1, 2024. The Initial Bonds bear interest at a fixed rate of 3.88%.

Future principal amounts are set forth in the table below:

Year ending December 31:		
2020	\$	618
2021		701
2022		729
2023		758
2024		<u>16,839</u>
Total	\$	<u><u>19,645</u></u>

(ii) Series 2014A & 2014B CRC Parking Garage Bonds and Series 2014A & 2014B CRC Medical Office Building Bonds – Center (Amended 2019)

On December 4, 2014, the Center closed on Series 2014A and Series 2014B Bonds issued by the City of Albany CRC to be used to finance the construction of a parking garage and medical office building on property owned by the Center and adjacent to AMCH.

The Parking Garage Series 2014A and 2014B Bonds (Parking Garage Bonds) were issued in the amounts of \$20,000 and \$5,000, respectively. The Medical Office Building Series 2014A and 2014B Bonds (MOB Bonds) were issued in the amounts of \$8,400 and \$19,600, respectively. The Parking Garage Bonds and MOB Bonds were both considered construction loans, with construction fully completed in mid-2016.

The Center Parking Garage Series 2014B Bond has a tax-exempt interest rate of 5.5%.

On November 25, 2019, the Center closed on amendments to the 2014A Parking Garage bond and the 2014A & 2014B MOB Bonds. In connection with these amendments, \$12,046 of the taxable MOB bond was reallocated to the tax-exempt MOB bond. The new balance of the tax-exempt MOB bond as of November 25, 2019 was \$19,929 (an increase from \$7,884), or 75% of the total bond financing relative to the Medical Office Building. Associated unamortized debt issuance cost to be written off were determined to not be material.

The tax-exempt factor for the two tax-exempt bonds increased from 70% to 79%, as a result of the change in the Corporate Tax Rate. The credit spreads for all three bonds were reduced to 1.70%, with the spread further reduced to 1.343% for the tax-exempt bonds (79% of 1.70%).

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The repayment terms of the bonds remained the same based on an original 30 year schedule, as well as the bank mandatory redemption dates of June 1, 2026. The bonds still have a maturity date of July 1, 2046.

The three original swap transactions related to the financing were not changed, although two new swap transactions were closed in order to ensure that the interest rate risks relating to the increase in the tax-exempt factor and the reallocation of the MOB exposure were effectively hedged. The three original swap transactions were structured with 30 year terms, with an option for AMC to terminate in June 2026.

Future principal amounts of the bonds are set forth in the table below:

Year ending December 31:		
2020	\$	954
2021		1,012
2022		1,061
2023		1,111
2024		1,158
Thereafter		<u>44,710</u>
Total	\$	<u>50,006</u>

(iii) Series 2017 CRC Bonds – Center/AMCH

In November 2017, the Center and AMCH each closed on Series 2017A, 2017B, and 2017C City of Albany CRC Revenue Refunding Bonds. The proceeds of the 2017 Bonds in the total amount of \$40,930 were used to redeem the outstanding bonds associated with the Center and AMCH Series 2005 Bonds, Series 2006 Bonds and Series 2007 Bonds, as well as to pay associated transaction costs, and swap termination fees relating to the 2005 and 2006 interest rate swap arrangements. The original bonds had been used for the acquisition of certain properties, refinancing of certain loans and financing renovations of existing facilities. The 2017 Bonds are privately held by a financial institution and collateralized by a pledge of College accounts receivable and other gross receipts. AMCH and the Center are guarantors of each other's bonds.

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The interest on all the 2017 Bonds is payable monthly. A summary of the six tax-exempt and taxable 2017 Bonds is set forth in the table below:

Borrower/series, tax status*	Interest rate as of December 31, 2019	Principal payment frequency	Maturity date	Original par amount
AMCH – 2017A, TE	Fixed at 2.8%	Monthly, interest only until 2020	5/1/2027	\$ 13,200
AMCH – 2017B, TX	LIBOR + 1.18**	Monthly	6/1/2020	3,750
AMCH – 2017C, TE	70% LIBOR + 0.90**	Annual	5/1/2027	11,855
AMC – 2017A, TE	Fixed at 2.92%	Monthly, interest only until 2025	5/1/2027	2,625
AMC – 2017B, TX	LIBOR + 1.40**	Monthly	9/1/2025	7,750
AMC – 2017C, TE	70% LIBOR + 0.90**	Annual	5/1/2027	1,750
Total				\$ 40,930

* TE represents tax exempt bonds and TX represents taxable bonds.

** Variable rate issuances above have interest rates based on a floating rate plus a defined spread.

The Center and AMCH are parties to interest rate swap agreements with respect to the 2017C bonds, as described in note 16.

Future principal amounts for the combined 2017 Bonds are set forth in the table below:

Year ending December 31:		
2020	\$	3,740
2021		3,867
2022		4,001
2023		4,147
2024		4,282
Thereafter		<u>13,661</u>
Total	\$	<u>33,698</u>

The tax-exempt bonds were amended in 2018, with no changes in interest rate or term.

(d) IDA/CRC Bonds Payable – CMH

(i) Series 2008A and Series 2008B IDA Bonds

In January 2008, the Columbia County IDA issued Tax Exempt Civic Facility Letter of Credit Secured Variable Rate Demand Bonds Series 2008A (\$11,730) and Taxable Civic Facility Letter of Credit Secured Variable Rate Demand Bonds Series 2008B (\$3,410) for the purpose of refinancing certain existing debt and provide funding for future capital expenditures.

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The Series 2008A bonds require annual principal payments ranging from \$160 to \$705 through July 2033 and the Series 2008B bonds require annual principal payments ranging from \$110 to \$255 through July 2027. The Series 2008A and 2008B bonds bear interest at a variable rate, which is established weekly by a remarketing agent and is based on market conditions (1.17% and 1.75% at December 31, 2019 for Series 2008A and 2008B, respectively, 1.67% and 2.47% at December 31, 2018 for Series 2008A and 2008B, respectively). The Series 2008A and Series 2008B bonds are secured by Irrevocable Direct Pay Letters of Credit that mature in March 2021. CMH entered into interest rate swap agreements with respect to Series 2008A and 2008B Bonds, as described in note 16. See note 18 for subsequent events.

Future principal payments on the Series 2008 bonds for the next five years and thereafter are as follows:

Year ending December 31:	
2020	\$ 700
2021	725
2022	765
2023	805
2024	845
Thereafter	<u>3,875</u>
Total	<u><u>\$ 7,715</u></u>

(ii) Series 2010A and Series 2010B IDA Bonds

In March 2010, the Columbia County Capital Resource Corporation issued Tax Exempt Civic Facility Letter of Credit secured Variable Rate Demand Bonds Series 2010A (\$12,945) and Taxable Civic Facility Letter of Credit Secured Variable Rate Demand Bonds Series 2010B (\$1,550) for the purpose of refinancing the promissory notes that were payable in July 2019 and provide funding for future capital expenditures. The Series 2010B bonds matured in 2015.

The Series 2010A bonds require annual principal payments ranging from \$185 to \$1,020 through July 2035 and bear interest at a variable rate, which is established weekly by a remarketing agent and is based on market conditions (1.17% and 1.67% at December 31, 2019 and 2018, respectively). The Series 2010A Bond is secured by an Irrevocable Direct Pay Letter of Credit that matures in March 2021. CMH entered into interest rate swap agreements with respect to Series 2010A and 2010B Bonds, as described in note 14. The swap related to 2010B bonds matured in 2015. See note 18 for subsequent events.

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Future principal payments on the Series 2010A bond for the next five years and thereafter are as follows:

Year ending December 31:		
2020	\$	185
2021		195
2022		205
2023		220
2024		225
Thereafter		<u>3,525</u>
Total	\$	<u>4,555</u>

The letters of credit for the Series 2008 and 2010 bonds are secured by substantially all of CMH's property, equipment, and gross receipts.

(e) IDA/CRC Bonds Payable – Saratoga

(i) Series 2013A CRC Bond

In February 2013, the Saratoga County CRC issued tax-exempt Revenue Bonds, Series 2013A in the amount of \$22,430 for the purpose of refinancing certain existing debt. The Series 2013A Bonds were issued pursuant to the terms of a Master Trust Indenture and Supplemental Master Trust Indenture (Indentures) by and between Saratoga Hospital and Saratoga Care, Inc., as members of the Saratoga Hospital Obligated Group (Obligated Group). The Series 2013 Bonds are special and limited obligations of the CRC payable solely from and secured by pledges of payments to be made under a separate Loan Agreement, dated January 1, 2013, between the Obligated Group and the CRC. As additional security for all of the bonds, the Obligated Group issued Obligated Group Master Notes to the trustee pursuant to the Indentures. The Obligated Group Master Notes are a joint and several obligation of the Obligated Group members secured by a pledge of and lien on the gross receipts of the Obligated Group members and a first mortgage lien on and security interest in certain portions of Saratoga Hospital's real and personal property.

The Indentures permit the Obligated Group to incur additional long-term debt subject to the approval of the Trustee, and the ability of the Obligated Group to meet certain financial performance and reporting requirements. Further, the members of the Obligated Group must satisfy certain financial performance and reporting requirement covenants annually as long as the Bonds are outstanding.

Outstanding serial bonds, bearing interest at fixed rates ranging from 2.5% to 5.0%, mature each year on December 1 and require annual payments ranging from \$965 to \$1,290 through 2028. Outstanding term bonds, bearing interest at a fixed rate of 3.25%, require annual mandatory sinking fund payments prior to maturity in amounts ranging from \$1,150 to \$1,490 in the years 2029 through 2033.

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Annual principal payments on the Series 2013A bonds are set forth in the table below:

Year ending December 31:		
2020	\$	965
2021		1,010
2022		1,065
2023		1,090
2024		1,085
Thereafter		<u>11,635</u>
Total	\$	<u><u>16,850</u></u>

(ii) Series 2017A and 2017B CRC Bonds

On January 3, 2017, the CRC issued tax-exempt Revenue Bonds, Series 2017 A and B (The Saratoga Hospital Project), in the amounts of \$24,170 and \$25,700, respectively, for the purpose of refinancing certain existing debt (Series 2007A, 2007B and 2014 Bonds). The Series 2017A and Series 2017B Bonds mature on December 1, 2040 and December 1, 2032, respectively. The Trust Indenture for the Series 2017A and Series 2017B Bonds was issued pursuant to the Indentures for the Series 2013A CRC Bonds. Both 2017 Series Bonds were initially issued in Bank Purchase Rate mode and are privately held by a financial institution (Initial Bonds). Principal and interest are payable monthly over the terms of the respective 2017 Bond Series. The Initial Series 2017A and Series 2017B Bonds bear interest at fixed rates of 2.47% and 2.63%, respectively, and the Initial Bonds have initial mandatory tender dates of January 1, 2027 and January 1, 2032, respectively.

Annual principal payments on the Series 2018A and B Bonds are set forth in the table below:

Year ending December 31:		
2020	\$	2,113
2021		2,352
2022		2,407
2023		2,477
2024		2,541
Thereafter		<u>31,446</u>
Total	\$	<u><u>43,336</u></u>

(f) Installment Payable – Saratoga

In March 2003, Saratoga Hospital entered into an unsecured \$2,000 installment sale contract in order to finance the purchase of the building where its Wilton Medical Arts site is located. The contract requires Saratoga Hospital to make monthly payments of \$11, including interest at 5%, through

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February 2033. Saratoga Hospital will continue to lease the parcel of land the building is constructed on under a ground lease that runs through February 2035, with the option to renew the ground lease for up to four five-year terms thereafter. Under the terms of the installment sale contract, the lessor retains the right to evict Saratoga Hospital from any buildings on the parcel subject to the ground lease, in the event that Saratoga Hospital defaults on the installment sale contract.

Future principal payments on the Installment Payable for the next five years and thereafter are as follows:

Year ending December 31:	
2020	\$ 68
2021	72
2022	76
2023	79
2024	83
Thereafter	<u>863</u>
 Total	 <u>\$ 1,241</u>

(g) Term Loans – AMCH/Center

- (i) In November 2008, AMCH and the Center each entered into 5-year revolving loan agreements in the amount of \$4,000 and \$4,500, respectively. The loan proceeds were utilized for various renovations and equipment expenditures. AMCH and the Center are the guarantors of each other's loans. In conformance with the Loan Agreements, the revolving loans have been converted to amortizing term loans. In December 2017, the loans' maturity dates were extended for additional 5-year terms to 2022. The rates on the term loans in 2019 were based on the 1-month LIBOR plus 130 basis points, floating. As of December 31, 2019, and 2018, the term loans had an interest rate of 3.01% and 3.59%, respectively. Principal payments are based on a set amortization schedule.

Future principal payments are set forth in the following table:

Year ending December 31:	
2020	\$ 447
2021	447
2022	<u>3,170</u>
 Total	 <u>\$ 4,064</u>

- (ii) In May 2017, the Albany Medical Center closed on a \$9,000 term loan arrangement to finance the costs of various renovation projects on the AMC and AMCH campuses. The term loan, which was advanced over a two-month period, has a fixed rate of 4.125%. The loan was interest only until

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April 1, 2018 when principal payments commenced based on a 10-year amortization schedule. The loan matures on March 1, 2028.

Future principal payments for this term loan are set forth in the following table:

Year ending December 31:		
2020	\$	796
2021	\$	831
2022	\$	866
2023	\$	903
2024	\$	941
Thereafter	<hr/>	<hr/>
	\$	3,347
Total	<hr/>	<hr/>
	\$	<u><u>7,684</u></u>

- (iii) In February 2019, the Albany Medical Center closed on a \$12,900 term loan arrangement to finance the costs relating to the acquisition of property located at 22 New Scotland Ave. The term loan has an interest rate of LIBOR plus 1.25%, with a fixed rate of 3.95% obtained through an interest rate swap. The loan and swap have a 10 year term, with a 25 year amortization schedule. The loan matures on March 1, 2029.

Future principal payments for this term loan are set forth in the following table:

Year ending December 31:		
2020	\$	314
2021	\$	328
2022	\$	342
2023	\$	356
2024	\$	369
Thereafter	<hr/>	<hr/>
	\$	10,964
Total	<hr/>	<hr/>
	\$	<u><u>12,673</u></u>

(h) Term Loans – CMH

- (i) In December 2010, CMH closed on permanent financing of imaging equipment for its Greene Medical Imaging practice at a cost of \$4,500, via the issuance of a term note payable (GMI Term Note) due December 2018, secured by substantially all assets of CMH. The GMI Term note was paid off in December 2018.

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- (ii) In May 2013, the CMH closed on the permanent financing of the Greene Medical Arts Building, located at 159 Jefferson Heights in Catskill, NY in the amount of \$4,560, via the issuance of a term note payable (GMA Term Note), secured by substantially all assets of CMH, with monthly principal payments of \$19, plus interest at LIBOR plus 2.50% (4.28% and 4.85% at December 31, 2019 and 2018, respectively) based on 20-year amortization with a balloon payment originally due in June 2018, but the extended to June 2023. See note 18 for subsequent events.

Future principal payments on the GMI and GMA term notes payable for the next five years and thereafter are as follows:

Year ending December 31:	
2020	\$ 228
2021	228
2022	228
2023	228
2024	2,147
Total	\$ 3,059

(i) Term Loans – Saratoga

In September 2011, Saratoga Hospital obtained a bank loan for the purpose of financing construction of an administrative office building. The administrative building loan bore interest at a variable rate that reset monthly based on the one-month LIBOR rate in effect at the reset date, plus 1.15%. In June 2018, Saratoga Hospital paid off the balance remaining on the administrative loan. Also, in June 2018, Saratoga Hospital obtained an unsecured bank loan in the amount of \$5,000, proceeds from which were used to finance a portion of Saratoga Hospital's 2019 capital budget. The loan is repayable in equal monthly installments of \$92,000 through June 2023 and bears interest at a fixed rate of 3.75%.

Future annual principal payments on the loan are set forth in the table below:

Year ending December 31:	
2020	\$ 982
2021	1,017
2022	1,056
2023	543
Total	\$ 3,598

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The System has established certain bank trustee accounts to meet the requirements of borrowing agreements related to several of the FHA insured Mortgage Loans and CRC Bonds. Included in the accompanying combined financial statements, classified as assets whose use is limited, are balances in these accounts at December 31 as follows:

	2019	2018
AMC:		
Mortgage Reserve Fund – Mortgage Loans (FHA Insured)	\$ 31,061	25,751
Mortgage Loan – VA Maint. Reserve	<u>177</u>	<u>176</u>
	31,238	25,927
Saratoga:		
Third party and debt agreements	1,690	1,689
CMH:		
Bonds payable	<u>539</u>	<u>5,102</u>
Total	<u>\$ 33,467</u>	<u>32,718</u>

Certain of AMC, Saratoga and CMH's bonds and mortgage loans set forth provisions and requirements, including financial ratios and reporting requirements with which each entity must comply.

(11) Retirement Plans

AMC has a defined benefit plan and CMH has an elective contributory defined benefit plan.

(a) Albany Medical Center Retirement Plan

AMC participates in a defined benefit pension plan for substantially all full-time employees (AMC Plan). The projected unit credit method is used in determining employees' benefits. Pension costs are funded to the minimum levels established by the Employee Retirement Income Security Act (ERISA) of 1974. The AMC Plan is a qualified plan under Section 401(a) of the Internal Revenue Code and has been determined by the Internal Revenue Service to be exempt from federal income taxes. In December 2011, the AMC Plan approved amending the AMC Plan to freeze average monthly earnings for grandfathered participants, effective April 1, 2012. In 2018, the AMC Plan opted to de-risk a segment of the AMC Plan through a plan annuitization whereby a group annuity was purchased for a portion of the retiree population, which was accounted for as a AMC Plan settlement.

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The following table sets forth the AMC Plan's projected benefit obligation and fair value of the AMC Plan assets at December 31:

	2019	2018
Change in projected benefit obligation:		
Benefit obligations at beginning of year	\$ 324,907	380,145
Service cost	17,977	19,146
Interest cost	13,875	14,058
Actuarial loss (gain)	27,781	(18,664)
Benefits and settlements paid and expected expenses	(17,824)	(72,619)
Settlement	—	2,841
Benefit obligation at end of year	<u>\$ 366,716</u>	<u>324,907</u>
Change in plan assets:		
Fair value of plan at beginning of year	\$ 333,084	410,375
Actual return on plan assets	57,565	(15,375)
Employer contributions	6,000	10,795
Benefits and settlements paid and actual expenses	(18,206)	(72,711)
Fair value of plan assets at end of year	<u>\$ 378,443</u>	<u>333,084</u>

The funded status of the AMC Plan and amounts recognized within other asset in the combined balance sheets at December 31 are as follows:

	2019	2018
Funded status, end of year:		
Fair value of plan assets	\$ 378,443	333,084
Projected benefit obligation	366,716	324,907
Accrued pension asset	<u>\$ 11,727</u>	<u>8,177</u>

Amounts recorded in net assets without donor restrictions, end of year:

	2019	2018
Unrecognized net actuarial loss	\$ 39,284	50,420
Unrecognized prior service credit	(7,613)	(9,269)
	<u>\$ 31,671</u>	<u>41,151</u>

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The estimated net actuarial loss, transition asset and prior service credit for the AMC Plan that will be amortized from net assets without donor restrictions into net periodic pension cost in 2019 is approximately (\$690), \$0, and \$1,660 respectively.

The AMC Plan accumulated benefit obligation as of December 31, 2019 and 2018 was \$361,043 and \$319,066, respectively.

The components of the AMC Plan net periodic pension cost for the years ended December 31 is as follows:

	2019	2018
Service cost	\$ 17,977	19,146
Interest cost	13,875	14,058
Expected return on plan assets	(20,085)	(25,346)
Amortization of prior service credit	(1,655)	(1,655)
Amortization of actuarial loss	1,819	—
 Net periodic pension cost	 \$ 11,931	 6,203

During 2019, service costs of \$17,977 were recorded in operating expenses and other net periodic pensions costs of \$6,046 were recorded in non-operating gains.

In connection with the Plan's annuitization noted for 2018, a loss of approximately \$11,100 was recognized as a nonrecurring loss in the combined financial statement of operations and changes in net assets.

The weighted average assumptions used to determine the AMC Plan pension cost and benefit obligations at the AMC Plan's measurement date (December 31):

	2019	2018
Discount rate for net periodic pension cost	4.38 %	3.80 %
Discount rate for benefit obligation	3.35	4.38
Expected long-term return on plan assets	6.25	6.25
Rate of compensation increase:		
Below age 45	4.00	4.00
Age 45 and up	3.50	3.50

In 2019, AMC used Pri-2012 Base Morality Table projected with scale MP-2019 to measure its benefit obligation. The RP-2006 Base Mortality Table projected with Scale MP-2018 were the mortality assumptions used as of December 31, 2018. The methodology utilized by AMC to determine the discount rate assumptions is a bond matching model, which uses individual AAA rated bond yield data

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consistently applied and expected future benefit payments to develop a weighted discount rate specific to AMC.

Investment Policy – The AMC Plan’s investment policy provides for a diversified portfolio to minimize risk to the extent possible. The asset allocation policy as of December 31, 2019 and 2018 is as follows:

	2019	
	Policy	Range
Domestic equities	20.90 %	15.9%–25.9%
International equities	10.90	4.8%–16.9%
Alternative investments	21.10	16.1%–26.1%
Fixed income	43.20	33.2%–53.2%
Real estate	4.00	2.0%–6.0%
Cash	—	0.0%–5.0%

	2018	
	Policy	Range
Domestic equities	17.60 %	12.6%–22.6%
International equities	9.20	3.4%–15.2%
Alternative investments	18.10	13.1%–23.1%
Fixed income	51.80	41.8%–61.8%
Real estate	3.30	1.3%–5.3%
Cash	—	0.0%–10.0%

(i) Basis for Determination of Long-Term Rate of Return

The expected long-term rate of return on the AMC Plan assets reflects long-term earnings expectations on existing plan assets and those contributions expected to be received during the current plan year. In estimating that rate, appropriate consideration was given to historical returns earned by the AMC Plan assets in the fund and the rates of return expected to be available for reinvestment. Rates of return are adjusted periodically to reflect capital market assumptions and changes in investment allocations.

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The following tables present the AMC Plan's assets at December 31, 2019 and 2018 that are measured at fair value on a recurring basis. The hierarchy and inputs to valuation techniques to measure fair value of the AMC Plan's assets are the same as outlined in the note 6.

	2019				
	Level 1	Level 2	NAV or equivalent	Total	Redemption or liquidation
Investments:					
Cash and cash equivalents	\$ 21,933	—	—	21,933	Daily
Common stock	34,869	—	—	34,869	Daily
Common/collective trust funds	35,665	—	—	35,665	Monthly
Corporate bonds	—	97,993	—	97,993	
Mutual funds	108,814	—	—	108,814	
U.S. Treasury securities and municipal bonds	—	6,802	—	6,802	Daily
Hedge funds	—	—	72,367	72,367	Quarterly
	<u>\$ 201,281</u>	<u>104,795</u>	<u>72,367</u>	<u>378,443</u>	
2018					
	Level 1	Level 2	NAV or equivalent	Total	Redemption or liquidation
	Level 1	Level 2	NAV or equivalent	Total	Redemption or liquidation
Investments:					
Cash and cash equivalents	\$ 7,283	—	—	7,283	Daily
Common stock	26,529	—	—	26,529	Daily
Common/collective trust funds	40,996	—	—	40,996	Monthly
Corporate bonds	—	108,556	—	108,556	
Mutual funds	77,924	—	—	77,924	
U.S. Treasury securities and municipal bonds	—	5,336	—	5,336	Daily
Hedge funds	—	—	66,460	66,460	Quarterly
	<u>\$ 152,732</u>	<u>113,892</u>	<u>66,460</u>	<u>333,084</u>	

The AMC Plan had no financial instruments that are classified as Level 3 measurements as of December 31, 2019 and 2018. There were no significant transfers between Level 1 and Level 2 measurements due to changes in valuation methodologies during the years ended December 31, 2019 and 2018.

From time to time, certain investment vehicles require additional capital contributions to be made by the Plan. There are no outstanding capital requirements for investments held at December 31, 2019.

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(ii) Contributions and Benefit Payments

AMC is expected to contribute approximately \$17,960 to the AMC Plan in 2020.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the AMC Plan:

Year	Pension benefits
2020	\$ 21,043
2021	22,211
2022	23,244
2023	22,243
2024	22,236
2025–2029	116,353

(b) Employee Retirement Plan of Columbia Memorial Hospital

CMH has an elective contributory defined benefit retirement plan (the CMH Plan) for all regular full-time employees. The CMH Plan benefits are based on years of service and the employees' average annual compensation for the five highest consecutive years of continuous service. The cost of the CMH Plan is accrued annually and funding is in accordance with actuarial requirements of the plan, subject to the Employee Retirement Income Security Act of 1974. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Effective October 31, 2007, an amendment was approved that closed the CMH Plan to nonunion employees who were not active participants in the CMH Plan as of that date and disallowed resumption of active participation for nonunion employees who cease active participation after October 31, 2007. In 2011, an amendment was approved that froze all future benefit accruals for active participants effective December 31, 2011.

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The following table sets forth the CMH Plan's obligations and fair value of plan assets at December 31:

	2019	2018
Reconciliation of benefit obligation:		
Benefit obligation at beginning of year	\$ 17,132	19,446
Interest cost	711	635
Benefit payments	(1,035)	(1,032)
Actuarial loss (gain)	<u>1,343</u>	<u>(1,917)</u>
Benefit obligation at end of year	<u>\$ 18,151</u>	<u>17,132</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 13,657	15,483
Employer contributions	75	—
Benefit payments	(1,036)	(1,032)
Actual return on plan assets	<u>2,508</u>	<u>(794)</u>
Fair value of plan assets at end of year	<u>\$ 15,204</u>	<u>13,657</u>

The funded status of the CMH Plan and amounts recognized in the combined balance sheet at December 31, 2019 and 2018, pursuant to ASC Topic 715, are as follows:

	2019	2018
Funded status, end of year:		
Fair value of plan assets	\$ 15,204	13,657
Projected benefit obligations	<u>18,151</u>	<u>17,132</u>
Accrued benefit obligation	<u>\$ (2,947)</u>	<u>(3,475)</u>
Amounts recorded in net assets without donor restrictions, end of year:		
Net actuarial losses	\$ 1,684	2,162

The CMH Plan's accumulated and projected benefit obligation was \$18,151 and \$17,132 as of December 31, 2019 and 2018, respectively.

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Net periodic pension expense includes the following components recorded in non-operating gains:

	2019	2018
Interest cost	\$ 711	635
Expected return on plan assets	(786)	(893)
Amortization of net loss	73	224
Net periodic pension expense (income)	<u>\$ (2)</u>	<u>(34)</u>

The assumptions used to determine the CMH Plan's pension cost and benefit obligations at the CMH Plan's measurement date (December 31) are as follows:

	2019	2018
Discount rate for net pension cost	4.40 %	3.40 %
Discount rate for benefit obligation	3.30	4.40
Expected long-term rate of return on plan assets	6.00	6.00
Rate of compensation increase	N/A	N/A
Mortality assumption	MP-2019	MP-2018

(i) Asset Allocations

CMH Plan assets consist of cash and cash equivalents, and funds invested in fixed income and marketable equity securities. The CMH Plan assets are allocated as follows at December 31:

	Target	2019	2018
Marketable equity securities	60 %	62 %	59 %
Fixed income	40	36	39
Cash and cash equivalents	—	2	2
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

(ii) Basis for Determination of Long-Term Rate of Return

The expected long-term rate of return on CMH plan assets reflects long-term earnings expectations on existing CMH plan assets and those contributions expected to be received during the current plan year. In estimating that rate, appropriate consideration is given to historical returns earned by CMH plan assets and the rates of return expected to be available for reinvestment. Rates of return are adjusted to reflect current capital market assumptions and changes in investment allocations.

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(iii) Investment Policy

The CMH Plan's investment strategy is to utilize broadly diversified vehicles where appropriate, with an investment mix and risk profile consistent with pension liabilities. Periodic reviews are undertaken to determine the asset mix that will meet pension obligations at a reasonable cost to the CMH Plan and are consistent with the fiduciary requirements of pension regulations.

(iv) Contributions

CMH is expected to contribute approximately \$198 to the CMH Plan in 2020.

(v) Estimated Future Benefit Payments

Estimated future benefit payments are as follows for the CMH Plan:

Year	Pension benefits
2020	\$ 1,131
2021	1,156
2022	1,163
2023	1,157
2024	1,151
2024–2028	5,651

Benefits expected to be paid in future years are based upon the same assumptions used to measure the CMH Plan benefit obligation at December 31, 2019.

The following table presents the CMH Plan's assets at December 31, 2019 and 2018, which are measured at fair value on a recurring basis. The hierarchy and inputs to valuation techniques used to measure fair value of the Plan's assets are the same as outlined above in note 6:

	2019				
	Level 1	Level 2	Total	Redemption or liquidation	Days' notice
Cash and cash equivalents	\$ 322	—	322	Daily	1
Equity securities	9,432	—	9,432	Daily	1
Fixed income	—	5,450	5,450	Daily	1
Total	<u>\$ 9,754</u>	<u>5,450</u>	<u>15,204</u>		

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	2018				
	Level 1	Level 2	Total	Redemption or liquidation	Days' notice
Cash and cash equivalents	\$ 320	—	320	Daily	1
Equity securities	8,061	—	8,061	Daily	1
Fixed income	—	5,276	5,276	Daily	1
Total	\$ 8,381	5,276	13,657		

There were no Level 3 investments held by the CMH Plan at either December 31, 2019 or 2018, nor were there any transfers between Level 1 and Level 2 during 2019 or 2018.

(vi) Multi-Employer Defined Benefit Plan

In lieu of the CMH plan, certain CMH employees represented by a collective bargaining unit participate in a multi-employer defined benefit plan in which the employer agrees to contribute a certain amount per hour for all compensated hours for each eligible employee, based upon the employees' category of profession.

The following table provides additional information about the plan:

Legal name of plan	Service Employees Pension Fund of Upstate New York
Employer identification number of plan	16-0908576
Plan number	001
Most recent certified zone status	Critical – Red Zone
Expiration date of collective bargaining agreement	December 31, 2019
Rehabilitation plan	Adopted November 16, 2009 – updated annually
Approximate employer contributions	\$2,078 for 2019 \$1,884 for 2018
	Contributions represent more than 5% of total contributions to the plan
Surcharges paid	None

(c) Saratoga Hospital

Saratoga Hospital participates in a defined contribution retirement plan that covers a substantially all employees. Employees are automatically enrolled in the plan but may opt out. The basic contribution during 2019 and 2018 was 2.75% of gross annual compensation for each eligible employee, regardless of the amount the employee contributed, with an additional match of eligible employee contributions ranging from 0.8% to 3.0% of gross annual compensation, based on years of benefit service. Employee contributions to the retirement plan are funded after each bi-weekly payroll period.

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Employer contributions to the retirement plan are funded after the end of the year in which the benefits are earned and accrued. Retirement plan expense for 2019 and 2018 was approximately \$6,829 and \$5,905, respectively.

(12) Professional Liability Insurance and Workers' Compensation Program

AMC and, effective August 1, 2019, Saratoga have a self-insurance program for professional and general liability insurance which involves the combination of purchased excess coverage and the establishment of funded reserves. The purchased coverage includes an excess policy retroactive to January 1, 1990. AMC maintains a risk management department to monitor and estimate professional liability exposure for AMC and Saratoga. Management accrues for professional and general liability reserves and the corresponding charge to operating expenses based on estimates of asserted and currently identifiable unasserted claims, if any, and a provision for unknown incidents. Independent actuaries have been retained to assist AMC and Saratoga. Professional and general liability reserves are recorded at their estimated undiscounted value as of December 31, 2019 for AMC and Saratoga, and 2018 for AMC.

Management maintains a balance in a trustee account for purposes of paying claims (self-insured funds). The trustee funded reserves are held in the name of the Albany Medical Center for AMC claims and Saratoga for Saratoga claims, however, such balances for AMC are allocated to and recorded on the books of AMC, based on the source of the funds contributed (note 5).

AMC has a self-insurance program for workers' compensation insurance, which involves the combination of purchased excess coverage and the establishment of reserves. Management accrues reserves and the corresponding charges to operating expenses based on estimates of asserted and currently identifiable unasserted claims, if any, and a provision for unknown incidents. Independent actuaries have been retained to assist AMC. AMCH, College, and the Center are guarantors on a letter of credit, which collateralizes approximately \$6,800 of the self-insurance workers' compensation liability. The total undiscounted liability is included in other liabilities and was \$16,290 and \$16,195 as of December 31, 2019 and 2018, respectively.

CMH and Saratoga have programs for workers compensation. Saratoga utilized a retrospectively rated insurance policy. CMH utilizes a fully insured product. Future premiums will be prospectively impacted by historical experience.

During 2018, CMH, Saratoga, and MMEC's professional and general liability insurance carrier was acquired and as a result the insurance insurer was demutualized, which resulted in payout to certain hospital and physicians. During 2019, CMH and Saratoga recognized \$6,101 and \$251, respectively, nonrecurring gains in the combined statement of operations and changes in net assets. During 2018, CMH, Saratoga, and MMEC recognized gains of \$3,381, \$6,800, and \$430, respectively, as nonrecurring gains in the combined statement of operations and changes in net assets.

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(13) Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, are as follows:

	2019	2018
Medicaid Delivery System Reform	\$ 40,867	—
Purchase of equipment/construction projects	17,181	15,549
Scholarships, prizes, and awards	39,652	34,134
Chairs and professorships	41,241	37,249
Research and education	17,822	15,379
Department/division support	27,930	25,164
Health education	5,489	5,121
Fellowship, lectureships and other	<u>24,454</u>	<u>24,784</u>
Total	<u><u>\$ 214,636</u></u>	<u><u>157,380</u></u>

During 2019 and 2018, net assets were released from donor restrictions by satisfying the restricted purpose as follows:

	2019	2018
Medicaid Delivery System Reform	\$ 14,573	—
Construction projects and purchase of property and equipment	10,559	9,635
Department/division support	5,399	4,503
Scholarship, prizes, and awards	2,181	1,922
Fellowship, lectureships and other	8,374	6,663
Chairs and professorships	2,015	1,674
Research	<u>5,180</u>	<u>5,507</u>
Total	<u><u>\$ 48,281</u></u>	<u><u>29,904</u></u>

(14) Endowment Funds

The System has donor restricted endowment fund net assets classified as net assets with donor restrictions and amounts classified as net assets without donor restrictions designated by the Board to function as endowments (quasi endowments).

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Endowment funds consisted of the following at December 31, 2019 and 2018:

	2019		
	Original gift	Accumulated gains, net	Total
Quasi	\$ 12,519	17,259	29,778
Donor restricted	<u>84,794</u>	<u>40,991</u>	<u>125,785</u>
Total	\$ 97,313	58,250	155,563

	2018		
	Original gift	Accumulated gains, net	Total
Quasi	\$ 12,207	13,728	25,935
Donor restricted	<u>83,709</u>	<u>26,773</u>	<u>110,482</u>
Total	\$ 95,916	40,501	136,417

Changes in the endowment funds for the year ended December 31, 2019 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, beginning of year	\$ 25,935	110,482	136,417
Investment return:			
Interest and dividend income	462	4,112	4,574
Net appreciation	3,867	15,364	19,231
Contributions	292	2,062	2,354
Appropriation of endowment assets for expenditures	(778)	(6,235)	(7,013)
Endowment funds, end of year	\$ 29,778	125,785	155,563

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Changes in the endowment funds for the year ended December 31, 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, beginning of year	\$ 17,895	134,147	152,042
Investment return:			
Interest and dividend income	891	6,305	7,196
Net appreciation	(1,799)	(15,333)	(17,132)
Contributions	85	1,015	1,100
Transfer from donor restrictions	9,637	(9,637)	—
Appropriation of endowment assets for expenditures	(774)	(6,015)	(6,789)
Endowment funds, end of year	<u>\$ 25,935</u>	<u>110,482</u>	<u>136,417</u>

The System has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power.

(15) Functional Expenses

The combined statements of operations present expenses by natural classification. The System also summarizes its expenses by functional classification. The System's primary program service is healthcare services. Natural expenses attributed to more than one functional expense category are allocated using a variety of cost allocation techniques such as percentage of revenues, percentage of expenses, and square footage.

Expenses by functional classification for the year ended December 31, 2019 consist of the following:

	2019						
	Patient services	Academic support	Research	Mgmt and general	Fundraising efforts	Eliminations	Total
Operating expenses:							
Salaries	\$ 846,079	18,309	12,875	127,899	2,334	—	1,007,496
Employee benefits	136,088	2,632	1,667	27,211	381	—	167,979
Supplies	411,949	1,026	3,218	26,525	1,335	(165)	443,888
Purchased services	159,415	2,386	3,063	61,568	1,587	—	228,019
Depreciation and amortization	75,066	4	—	37,092	12	—	112,174
Interest	21,300	—	—	9,626	17	(170)	30,773
Other expenses	9,556	3,621	1,287	11,690	413	—	26,567
Operating expenses	<u>\$ 1,659,453</u>	<u>27,978</u>	<u>22,110</u>	<u>301,611</u>	<u>6,079</u>	<u>(335)</u>	<u>2,016,896</u>

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Expenses by functional classification for the year ended December 31, 2018 consist of the following:

	2018						
	Patient services	Academic support	Research	Mgmt and general	Fundraising efforts	Eliminations	Total
Operating expenses:							
Salaries	\$ 775,491	17,918	12,587	125,606	2,060	(618)	933,044
Employee benefits	125,253	2,394	1,474	23,869	350	—	153,340
Supplies	371,381	1,079	2,835	23,754	915	—	399,964
Purchased services	165,091	2,056	2,739	61,661	2,021	—	233,568
Depreciation and amortization	74,468	—	—	35,753	13	—	110,234
Interest	20,523	—	—	7,750	10	(157)	28,126
Other expenses	8,987	3,567	1,147	12,343	273	—	26,317
Operating expenses	<u>\$ 1,541,194</u>	<u>27,014</u>	<u>20,782</u>	<u>290,736</u>	<u>5,642</u>	<u>(775)</u>	<u>1,884,593</u>

(16) Commitments and Contingencies

(a) Interest Rate Swaps

The System uses derivative financial instruments for the purpose of hedging variability in cash flows associated with interest payments on long-term debt. The System does not hold or issue derivative financial instruments for trading or speculative purposes.

AMCH, the Center, and CMH have interest rate swap agreements with a duration of at least 7 years and with the following notional amounts to hedge against variability in cash flows associated with variable rate debt, as follows:

Debt series	Notional amount	Fixed rate swap	Hedge instrument
Center Series 2017C	\$ 1,465	4.160	70% LIBOR
AMCH Series 2017C	3,315	4.150	70% LIBOR
AMCH Series 2017C	6,565	3.630	70% LIBOR
Columbia 2008A	7,350	3.081	100% SIFMA
Columbia 2008B	1,665	3.625	100% LIBOR
Columbia 2010A	6,545	2.946	100% SIFMA
Center Series 2014A (Parking Garage)	18,738	2.490	70% LIBOR
Center Series 2014A (Parking Garage)	18,770	0.1310	9% LIBOR
Center Series 2014A (MOB)	9,688	2.490	70% LIBOR
Center Series 2014A (MOB)	1,820	1.437	100% LIBOR
Center Series 2014B (MOB)	18,665	3.560	100% LIBOR
Center Term Loan	12,900	3.950	100% LIBOR

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At December 31, 2019 and 2018, the System recorded other long term liabilities for the fair value of the interest rate swaps as follows:

Bond series	Maturity	2019	2018
AMCH Series 2017C (2007 A Amended)	May 1, 2017	\$ 389	372
AMCH Series 2017C (2007 C Amended)	May 1, 2017	627	569
Center Series 2017C (2007 A Amended)	May 1, 2017	172	165
Columbia 2008A	June 30, 2020	70	135
Columbia 2008B	June 30, 2020	16	24
Columbia 2010A	June 30, 2020	46	92
Center Series 2014A (Parking Garage)	July 1, 2046	1,364	516
Center Series 2014A (MOB)	July 1, 2046	597	217
Center Series 2014B (MOB)	July 1, 2046	1,987	713
Center Term Loan	March 1, 2029	961	—
		\$ 6,229	2,803

The portion of the change in fair value of the interest rate swaps that is considered highly effective is reflected in net assets without donor restrictions in the combined statements of operations and changes in net assets for the years ended December 31, 2019 and 2018. The ineffective portion of the change in fair value of the interest rate swaps was not material to the combined statements of operations and changes in net assets for the years ended December 31, 2019 and 2018.

(b) Line of Credit

The Center is the Borrower for a line of credit with Key Bank which has an available limit as of December 31, 2019 of \$20,000. AMCH and the College are guarantors of this line commitment. There was no outstanding balance at December 31, 2019 and 2018. The maturity date of the line is June 30, 2020. The line bears interest at thirty-day LIBOR plus 1.25%. The Borrower has executed a security agreement associated with this line of credit which grants Key Bank a first security interest in a portion of AMCH's gross receipts. This line of credit requires the Borrower and AMCH to measure and report on certain financial benchmarks on a quarterly basis.

CMH holds a contingent line of credit with HSBC with an available balance of \$6,000. The line bears interest at LIBOR p/w 2.50%. There was no outstanding balance of December 31, 2019 and 2018.

Saratoga has a line of credit with available proceeds of \$4,000 as of December 31, 2019. Amounts outstanding under the line of credit bear interest at the prime lending rate set by a large commercial bank (4.75% at December 31, 2019). The line of credit is issued on a demand basis, with the issuing bank making an annual determination each June whether to extend the arrangement based on a review of the System's audited financial statements. There were no advances taken against the line of credit during 2019 and 2018.

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(c) Collective Bargaining Agreements

In 2019, AMC nurses voted to unionize as part of the New York State Nurses Association (NYSNA). A substantial portion of AMC's employed nurses will be represented by NYSNA. As of December 31, 2019, AMC and NYSNA are negotiating a multi-year collective bargaining agreement. A substantial portion of CMH's employees work under a collective bargaining agreement covered by 1199 Service Employees International Union (1199) which expired on December 31, 2019.

(d) Equity Transfer

Effective December 31, 2019 and 2018, AMCH approved transfers of net assets from AMCH to the College. The transfers are reflected by a reduction of the interinstitutional receivable due from the Center and net assets without donor restrictions of \$20,000 in both 2019 and 2018. The transfers are permitted by HUD since the Hospital has asserted it met the financial covenants of the Regulatory Agreement governing their mortgage note payable.

(17) Leases

Effective January 1, 2019, the System accounts for leases in accordance with Topic 842, Leases. The System determines if an arrangement is or contains a lease at contract inception. The System recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases, and is subsequently measured at amortized cost using the effective-interest method. Key estimates and judgments include how the System determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the System cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the System generally uses its incremental borrowing rate as the discount rate for the lease. The System's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the System does not generally borrow on a collateralized basis, it uses the interest rate it pays on its noncollateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

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For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the System or the System is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Operating lease ROU assets are presented as operating lease right of use assets on the combined balance sheet. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is presented separately as operating lease liabilities on the combined balance sheet.

Finance lease ROU assets are included in property, plant, and equipment. The current portion of finance lease liabilities is included in current installments of obligations under finance leases in 2019 and capital leases in 2018, and the long-term portion is included in obligations under finance leases in 2019 and capital leases in 2018 on the combined balance sheet.

The System does not recognize ROU assets and lease liabilities for short-term leases of that have a lease term of 12 months or less. The System has elected not to apply the short-term lease recognition and measurement exemption for other classes of leased assets. The System recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

The System's leases generally include non-lease maintenance services (i.e. equipment maintenance or common area maintenance). The System allocates the consideration in the contract to the lease and non-lease maintenance component based on each component's relative standalone price.

Amounts reported in the combined balance sheet as of December 31, 2019 were as follows:

	Total
Finance leases:	
Property under finance leases, net	\$ 86,491
Lease liabilities	99,730
Operating leases:	
Right-of-use assets	\$ 86,793
Lease liabilities	87,509

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The components of lease cost for the year ended December 31, 2019 were as follows:

Finance lease cost:

Amortization of right-of-use assets, within depreciation and amortization expense	\$ 20,367
Interest on lease liabilities, within interest expense	<u>2,487</u>
Total finance lease cost	22,854
 Operating lease cost	 17,449
Sublease income	<u>(111)</u>
Total lease cost	\$ 40,192

Other information related to leases as of December 31, 2019 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases	\$ (575)
Operating cash flow from operating leases	(16,554)
Financing cash flows from finance leases	(20,435)
Right-of-use assets obtained in exchange for new finance lease liabilities	7,646
Right-of-use assets obtained in exchange for new operating leases liabilities	7,557

2019

Weighted average remaining lease term—finance leases	4.41 years
Weighted average remaining lease term—operating leases	10.75 years
Weighted average discount rate—finance leases	3.14 %
Weighted average discount rate—operating leases	4.09 %

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Future lease payments at December 31, 2019 are as follows:

	Operating leases	Finance leases
Year ending December 31:		
2020	\$ 16,524	24,711
2021	15,040	21,848
2022	12,414	18,977
2023	9,655	27,450
2024	7,673	8,054
Thereafter	<u>54,876</u>	<u>6,588</u>
Total undiscounted lease payments	116,182	107,628
Less net present value adjustment	<u>(28,673)</u>	<u>(7,898)</u>
Lease liability	<u>\$ 87,509</u>	<u>99,730</u>

The System adopted ASU 2016-02 using a modified retrospective adoption at January 1, 2019 as discussed in note 1. The following disclosure is provided for the period prior to adoption. Future minimum lease payments under noncancelable operating leases having initial terms in excess of one year at December 31, 2018, approximate the following for the next five years:

	Capital leases	Operating leases
Year ending December 31:		
2019	\$ 19,667	\$ 15,232
2020	17,525	14,685
2021	14,822	13,101
2022	12,960	12,085
2023	9,973	10,162
Thereafter	<u>7,494</u>	<u>—</u>
Total minimum lease payments	82,441	<u>\$ 65,265</u>
Less amounts representing imputed interest (rates ranging from 1.5% to 3.2%)	<u>6,338</u>	
Present value of net minimum lease payments	76,103	
Less current installments	<u>17,625</u>	
Long-term present value of net minimum lease payments	<u>\$ 58,478</u>	

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(18) Subsequent Events

The System considers events or transactions that occur after the combined balance sheet date, but before the combined financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These combined financial statements were issued on April 29, 2020, and subsequent events have been evaluated through that date.

(a) Mortgage Loan

In March 2020, the Center closed on a \$6,600 mortgage loan to finance the costs of a building acquisition, as well as costs relating to renovation. Funds for the renovation will be advanced as work is completed. The loan has an interest rate of LIBOR plus 1.40%, with a fixed rate of 2.32% obtained through a one year forward starting interest rate swap arrangement. The loan has a term of 11 years, with a 25 year amortization schedule. The loan matures on April 1, 2031.

(b) Affiliation with Glens Falls Hospital

In October 2019, the Center executed an affiliation agreement with Glens Falls Hospital. Among its various terms and conditions, the affiliation agreement provides that the Center will become the sole-corporate member of the Glens Falls Hospital. No consideration was exchanged in connection with this affiliation. In February 2020, the Center and Glens Falls Hospital received all regulatory approvals and are in the process of finalizing the affiliation, which is anticipated to be completed by July 1, 2020.

(c) COVID-19 Economical Impacts

In March 2020, the broader U.S. economy and the New York region that the System serves were affected by the COVID-19 pandemic. The impact on the System's operations, if any, cannot yet be determined. The U.S. financial markets have also suffered as a result of the COVID-19 pandemic and therefore negative changes in the fair value of financial investments held as of December 31, 2019 may have occurred and may be material.

(d) System Loan Guarantee

In January 2020, AMC and Saratoga, as partners, formed Saratoga Partners North (SPN) which closed on an \$8,000 loan to finance equipment purchases. At the same time, SPN Realty, which is also owned by AMC and Saratoga, closed on a \$16,000 loan to finance the construction of a surgery center at Exit 12. AMC and Saratoga, have guaranteed both debt agreements.

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(19) Financial Responsibility Standards

The System participates in Federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the System, which are not otherwise presented in the combined financial statements or other notes to the combined financial statements, as of and for the year ended December 31, 2019:

Required input per standards	Ratio(s) Used	Input Amount	Related combined financial statement amount not used as input on supplementary schedule
Property, plant and equipment, net	Primary reserve	\$ 910,210	
Construction in progress – reconciling item from Note 9	Primary reserve	18,002	
Total property, plant and equipment, net	NA	\$ 928,212	
Lease right-of-use assets – pre-implementation	Primary reserve	79,898	
Lease right-of-use assets – post-implementation	Primary reserve	6,895	
Total lease right-of-use assets	NA	\$ 86,793	
Long-term debt – for long-term purposes	Primary reserve	537,817	
Long-term debt not for the purchase of PPE	NA	—	
Total long-term debt	NA	\$ 537,817	
Liability related to lease right-of-use assets – pre-implementation	Equity	80,612	
Liability related to lease right-of-use assets – post-implementation	Primary reserve	6,897	
Total liabilities related to lease right-of-use assets	NA	\$ 87,509	

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Required input per standards	Ratio(s) Used	Input Amount	Related combined financial statement amount not used as input on supplementary schedule
Inputs directly from the statement of operations and changes in net assets:			
Total operating revenue and other additions	NA	\$ 2,028,708	
Plus: net realized gains on sales of investments (nonoperating)	NA	3,008	
Plus: other, net (nonoperating)	NA	5,227	
Plus: net unrealized gains (losses) on investment (nonrecurring)	NA	50,591	
Plus: other, net (nonrecurring)	NA	4,668	
Plus: net assets released from restriction used for purchase of property and equipment	NA	10,559	
Plus: pension related changes other than net periodic pension costs	NA	9,958	
Total revenue and gains without donor restrictions	Net income	\$ <u>2,112,719</u>	
Total operating expenses without donor restrictions	NA	\$ 2,016,896	
Plus: change in fair value of interest rate swaps	NA	3,562	
Total expenses and losses without donor restrictions	Primary reserve	\$ <u>2,020,458</u>	

**ALBANY MEDICAL CENTER
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Combining Balance Sheet

December 31, 2019

(Dollars in thousands)

Assets	2019 Combining information								
	Combined total	Eliminations	Center						
			Center and other	CMH	Saratoga	MMEC	AMCH	College	Foundation
Current assets:									
Cash and cash equivalents	\$ 329,628	—	23,572	19,943	96,335	2,224	158,788	11,714	17,052
Investments	197,902	—	—	6,713	65,818	—	125,371	—	—
Receivables, net:									
Patient service	202,595	—	—	11,370	35,200	983	134,077	20,965	—
Contributions	4,663	—	—	—	879	—	—	—	3,784
Interinstitutional receivables	—	(16,585)	3,256	—	1,295	—	5,388	6,646	—
Other	32,836	—	1,436	—	4,133	—	6,083	21,179	5
	240,094	(16,585)	4,692	11,370	41,507	983	145,548	48,790	3,789
Inventories	33,458	—	641	2,374	8,685	152	21,276	330	—
Prepaid expenses and other current assets	28,502	—	5,304	2,996	6,085	267	6,658	7,012	180
Total current assets	829,584	(16,585)	34,209	43,396	218,430	3,626	457,641	67,846	21,021
Assets whose use is limited:									
Under debt financed agreements	33,467	—	177	539	1,690	—	31,061	—	—
Self-insurance funds	102,793	—	—	—	1,021	—	101,016	756	—
Other investments	16,195	—	—	10,324	3,768	—	—	2,103	—
	152,455	—	177	10,863	6,479	—	132,077	2,859	—
Property and equipment, net of accumulated depreciation and amortization	928,212	—	149,300	47,854	156,324	13,703	486,352	74,672	7
Right-of-use-assets – operating leases	86,793	—	12,265	10,207	33,009	—	5,812	25,500	—
Investments, long term	230,454	—	1,976	—	56,991	—	23,627	147,704	156
Other assets:									
Student loan receivables	3,691	—	—	—	—	—	—	3,691	—
Deferred compensation agreements	50,194	—	43,493	—	6,701	—	—	—	—
Contributions receivable, noncurrent	8,234	—	—	—	495	—	—	—	7,739
Assets held in charitable trusts	3,590	—	—	—	428	—	—	—	3,162
Accrued pension asset, AMC	11,727	—	968	—	—	—	4,513	6,246	—
Other assets	29,045	(2,981)	41	1,897	3,418	—	11,870	12,597	2,203
Interinstitutional receivables, noncurrent	—	(119,921)	30,512	—	—	—	83,630	5,779	—
Total other assets	106,481	(122,902)	75,014	1,897	11,042	—	100,013	28,313	13,104
Total assets	\$ 2,333,979	(139,487)	272,941	114,217	482,275	17,329	1,205,522	346,894	34,288

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Combining Balance Sheet

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(Dollars in thousands)

Liabilities and Net Assets	2019 Combining information									
	Combined total	Eliminations	Center						College	Foundation
			Center and other	CMH	Saratoga	MMEC	AMCH			
Current liabilities:										
Current maturities of long-term debt	\$ 22,609	—	3,415	1,167	4,128	—	13,899	—	—	
Current portion of lease liability – finance leases	22,009	—	135	1,110	407	510	19,713	134	—	
Current portion of lease liability – operating leases	13,548	—	1,802	2,656	1,918	—	2,152	5,020	—	
Payables:										
Accounts payable	102,993	—	14,075	12,008	11,385	814	56,981	7,448	282	
Interinstitutional payables	—	(8,455)	1,830	1,368	1,710	1,382	2,082	—	83	
Accrued expenses:										
Salaries and related items	74,786	—	8,472	5,857	17,528	—	19,009	23,920	—	
Compensated absences	54,788	—	5,026	4,752	9,069	—	18,809	17,132	—	
Deferred revenue	20,420	—	736	508	—	—	—	19,176	—	
Other liabilities	39,393	—	8,597	2,849	4,598	—	15,955	6,692	702	
Total current liabilities	350,546	(8,455)	44,088	32,275	50,743	2,706	148,600	79,522	1,067	
Long-term debt, net of current maturities	509,678	—	77,656	14,489	60,182	—	357,351	—	—	
Long-term lease liability – finance leases	77,721	(11,322)	4,133	1,267	4,368	11,642	60,030	7,603	—	
Long-term lease liability – operating leases	73,961	—	10,534	7,624	31,452	—	3,739	20,612	—	
Federal loan programs	4,889	—	—	—	—	—	—	4,889	—	
Interinstitutional payables, noncurrent	—	(97,163)	66,659	—	—	—	—	18,021	12,483	
Accrued pension obligation, CMH	2,947	—	—	2,947	—	—	—	—	—	
Professional liability self-insurance reserve	121,597	—	—	—	1,142	—	78,329	42,126	—	
Other liabilities, long-term	112,296	—	53,003	9,385	10,244	—	24,494	6,322	8,848	
Total liabilities	1,253,635	(116,940)	256,073	67,987	158,131	14,348	672,543	179,095	22,398	
Net assets (deficit):										
Without donor restrictions	865,708	(2,981)	16,853	43,435	318,555	2,981	461,543	35,594	(10,272)	
With donor restrictions	214,636	(19,566)	15	2,795	5,589	—	71,436	132,205	22,162	
	1,080,344	(22,547)	16,868	46,230	324,144	2,981	532,979	167,799	11,890	
Total liabilities and net assets	\$ 2,333,979	(139,487)	272,941	114,217	482,275	17,329	1,205,522	346,894	34,288	

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
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Combining Balance Sheet

December 31, 2018

(Dollars in thousands)

Assets	2018 Combining information									
	Combined total	Eliminations	Center						College	Foundation
			Center and other	CMH	Saratoga	MMEC	AMCH			
Current assets:										
Cash and cash equivalents	\$ 311,700	—	19,323	23,031	90,281	3,009	155,634	9,226	11,196	
Investments	133,131	—	—	5,556	57,982	—	69,593	—	—	
Receivables, net:										
Patient service	182,376	—	—	12,143	33,098	985	118,719	17,431	—	
Contributions	5,276	—	—	—	863	—	—	—	4,413	
Interinstitutional receivables	—	(15,774)	1,578	550	—	—	7,138	6,482	26	
Other	28,327	—	243	—	2,894	—	4,318	20,861	11	
	215,979	(15,774)	1,821	12,693	36,855	985	130,175	44,774	4,450	
Inventories	31,644	—	786	2,246	7,113	168	21,028	303	—	
Prepaid expenses and other current assets	29,891	(36)	5,914	2,877	7,993	234	6,380	6,366	163	
Total current assets	722,345	(15,810)	27,844	46,403	200,224	4,396	382,810	60,669	15,809	
Assets whose use is limited:										
Under debt financed agreements	32,718	—	176	5,102	1,689	—	25,751	—	—	
Self-insurance funds	97,780	—	—	—	—	—	95,395	2,385	—	
Other investments	9,539	—	—	4,647	3,624	—	—	1,268	—	
	140,037	—	176	9,749	5,313	—	121,146	3,653	—	
Property and equipment, net of accumulated depreciation and amortization	902,656	—	136,421	48,700	151,099	2,091	489,360	74,979	6	
Investments, long term	211,585	—	1,425	—	49,894	—	19,756	140,387	123	
Other assets:										
Student loan receivables	4,085	—	—	—	—	—	—	4,085	—	
Deferred compensation agreements	37,834	—	33,002	—	4,832	—	—	—	—	
Contributions receivable, noncurrent	9,475	—	—	—	943	—	—	—	8,532	
Assets held in charitable trusts	3,289	—	—	—	410	—	—	—	2,879	
Accrued pension asset, AMC	8,177	—	(225)	—	—	—	5,308	3,094	—	
Other assets	29,033	(3,364)	56	1,602	3,496	—	11,435	13,602	2,206	
Interinstitutional receivables, noncurrent	—	(159,239)	50,660	—	—	—	103,347	5,232	—	
Total other assets	91,893	(162,603)	83,493	1,602	9,681	—	120,090	26,013	13,617	
Total assets	\$ 2,068,516	(178,413)	249,359	106,454	416,211	6,487	1,133,162	305,701	29,555	

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combining Balance Sheet

December 31, 2018

(Dollars in thousands)

Liabilities and Net Assets	2018 Combining information									
	Combined total	Eliminations	Center						College	Foundation
			Center and other	CMH	Saratoga	MMEC	AMCH			
Current liabilities:										
Current maturities of long-term debt	\$ 22,052	—	3,005	1,949	4,174	—	12,924	—	—	
Current portion of capital leases	17,625	—	—	1,193	1,099	546	14,787	—	—	
Payables:										
Accounts payable	88,799	—	10,251	12,039	13,334	2,531	46,184	4,361	99	
Interinstitutional payables	—	(6,992)	3,285	1,303	290	—	1,989	36	89	
Accrued expenses:										
Salaries and related items	69,971	—	6,247	5,497	16,231	—	19,521	22,475	—	
Compensated absences	52,734	—	4,886	4,578	8,337	—	18,350	16,583	—	
Deferred revenue	51,800	—	275	510	—	—	32,036	18,979	—	
Other liabilities	46,645	—	9,231	8,576	5,580	—	17,864	4,639	755	
Total current liabilities	349,626	(6,992)	37,180	35,645	49,045	3,077	163,655	67,073	943	
Long-term debt, net of current maturities	510,606	—	68,491	15,636	64,425	(11)	362,065	—	—	
Long term portion of capital lease obligation	58,478	—	—	1,905	87	57	56,429	—	—	
Federal loan programs	4,465	—	—	—	—	—	—	4,465	—	
Interinstitutional payables, noncurrent	—	(147,249)	89,525	—	—	—	—	49,816	7,908	
Accrued pension obligation, CMH	3,475	—	—	3,475	—	—	—	—	—	
Professional liability self-insurance reserve	119,310	—	—	—	2,300	—	78,078	38,932	—	
Other liabilities, long-term	91,729	—	38,845	6,576	7,837	—	26,253	6,805	5,413	
Total liabilities	1,137,689	(154,241)	234,041	63,237	123,694	3,123	686,480	167,091	14,264	
Net assets (deficit):										
Without donor restrictions	773,447	(3,364)	15,232	40,810	286,810	3,364	416,196	22,377	(7,978)	
With donor restrictions	157,380	(20,808)	86	2,407	5,707	—	30,486	116,233	23,269	
Total liabilities and net assets	\$ 2,068,516	(178,413)	249,359	106,454	416,211	6,487	1,133,162	305,701	29,555	

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combining Statement of Operations and Changes in Net Assets

Year ended December 31, 2019

(Dollars in thousands)

	2019 Combining information								
	Combined total	Eliminations and reclassifications	Center						
			Center and other	CMH	Saratoga	MMEC	AMCH	College	Foundation
Operating revenue:									
Patient service revenue, net	\$ 1,840,369	(165)	—	140,408	375,132	18,005	1,061,906	245,083	—
Tuition and fees	41,203	—	2,071	—	—	—	—	39,132	—
Federal, state, and local grants and contracts	19,738	—	45	570	408	—	4,454	14,261	—
Private gifts, grants, and contracts	6,892	—	13	—	—	—	248	6,169	462
Interest and dividend income	16,429	(170)	368	—	—	—	14,598	1,401	232
Interinstitutional revenue	—	(293,465)	186,958	1,603	597	—	11,098	92,559	650
Other revenue	66,355	(2,817)	11,942	16,213	17,861	1	22,467	688	—
Net assets released from restrictions used for operations	37,722	—	—	1,236	736	—	18,288	15,871	1,591
Total operating revenue	2,028,708	(296,617)	201,397	160,030	394,734	18,006	1,133,059	415,164	2,935
Operating expenses:									
Salaries	1,007,496	—	89,174	87,058	196,971	10,349	347,594	274,263	2,087
Employee benefits	167,979	—	16,744	15,982	34,878	—	61,038	38,969	368
Supplies	443,888	(165)	33,680	18,793	82,088	4,208	281,097	23,685	502
Purchased services	228,019	—	34,378	25,208	36,224	—	91,349	39,510	1,350
Interinstitutional expense	—	(293,465)	1,614	8,274	3,564	—	243,038	36,483	492
Depreciation and amortization	112,174	—	19,401	6,904	17,587	625	55,836	11,820	1
Interest	30,773	(170)	3,672	955	2,186	7	23,791	315	17
Other expenses	26,567	—	1,756	578	3,678	—	4,083	16,059	413
Total operating expenses	2,016,896	(293,800)	200,419	163,752	377,176	15,189	1,107,826	441,104	5,230
Operating margin (loss)	11,812	(2,817)	978	(3,722)	17,558	2,817	25,233	(25,940)	(2,295)
Nonoperating gains (losses):									
Net realized gains (losses) on sales of investments	3,008	(14,485)	—	2,739	14,754	—	—	—	—
Other, net	5,227	(6,352)	1,347	3,080	592	—	3,406	3,154	—
Total nonoperating gains (losses), net	8,235	(20,837)	1,347	5,819	15,346	—	3,406	3,154	—
Excess (deficiency) of revenue over expenses, before investment gains and losses and nonrecurring gains, net	20,047	(23,654)	2,325	2,097	32,904	2,817	28,639	(22,786)	(2,295)

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combining Statement of Operations and Changes in Net Assets

Year ended December 31, 2019

(Dollars in thousands)

	2019 Combining information							
	Combined total	Eliminations and reclassifications	Center					
		Center and other	CMH	Saratoga	MMEC	AMCH	College	Foundation
Investment gains and (losses) and nonrecurring activities:								
Net unrealized gains and (losses) on investments	\$ 50,591	14,485	—	—	—	—	26,542	9,563
Other, net	4,668	6,352	—	—	(1,684)	—	—	—
Total nonrecurring nonoperating gains (losses), net	55,259	20,837	—	—	(1,684)	—	26,542	9,563
Excess (deficiency) of revenue over expenses	75,306	(2,817)	2,325	2,097	31,220	2,817	55,181	(13,223)
Net assets without donor restrictions:								
Net assets released from restrictions used for purchase of property and equipment	10,559	—	1,029	50	525	—	7,811	1,144
Change in fair value of interest rate swaps	(3,562)	—	(3,475)	—	—	—	(87)	—
Pension related changes other than net periodic pension costs	9,958	—	1,742	478	—	—	2,442	5,296
Equity distributions	—	3,200	—	—	—	(3,200)	—	—
Net change resulting in reduction of interinstitutional receivable	—	—	—	—	—	—	(20,000)	20,000
Increase (decrease) in net assets without donor restrictions	92,261	383	1,621	2,625	31,745	(383)	45,347	13,217
Net assets with donor restrictions:								
Private gifts, grants, contracts and other	44,286	(13,623)	(40)	1,541	776	—	25,629	14,654
Investment interest, dividends and net realized gains (losses), net	3,538	(13)	—	1	—	—	(19)	3,556
Gift distributions	—	14,518	—	—	—	—	—	(14,518)
Net assets released from restrictions for operations	(37,722)	—	—	(1,236)	(736)	—	(18,288)	(15,871)
Net provision for uncollectible accounts	—	744	—	—	—	—	—	(744)
Changes in net unrealized gains and losses on investments	15,496	(384)	—	132	139	—	1,592	13,633
Contributions for property and equipment	10,181	—	998	—	228	—	7,811	1,144
Net assets released from restrictions used for purchase of property and equipment	(10,559)	—	(1,029)	(50)	(525)	—	(7,811)	(1,144)
Increase (decrease) in net assets with donor restrictions	25,220	1,242	(71)	388	(118)	—	8,914	15,972
Change in net assets before cumulated effect of change in accounting principles	117,481	1,625	1,550	3,013	31,627	(383)	54,261	29,189
Cumulative effect of change in accounting principle	32,036	—	—	—	—	—	32,036	—
Change in net assets	149,517	1,625	1,550	3,013	31,627	(383)	86,297	29,189
Net assets (deficit), beginning of year	930,827	(24,172)	15,318	43,217	292,517	3,364	446,682	138,610
Net assets (deficit), end of year	\$ 1,080,344	(22,547)	16,868	46,230	324,144	2,981	532,979	167,799
								11,890

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combining Statement of Operations and Changes in Net Assets

Year ended December 31, 2018

(Dollars in thousands)

	2018 Combining information								
	Combined total	Eliminations and reclassifications	Center					College	Foundation
			Center and other	CMH	Saratoga	MMEC	AMCH		
Operating revenue:									
Patient service revenue, net	\$ 1,739,743	—	—	140,589	346,433	16,719	1,017,174	218,828	—
Tuition and fees	41,556	—	1,945	—	—	—	—	39,611	—
Federal, state, and local grants and contracts	33,888	—	42	2,045	344	—	17,856	13,601	—
Private gifts, grants, and contracts	6,097	—	4	—	—	—	74	5,727	292
Interest and dividend income	17,401	(157)	225	—	—	—	13,895	3,318	120
Interinstitutional revenue	—	(284,133)	181,217	2,882	1,401	—	10,767	87,122	744
Other revenue	53,970	(2,682)	6,485	15,124	15,258	2	18,859	924	—
Net assets released from restrictions used for operations	<u>20,269</u>	<u>—</u>	<u>—</u>	<u>496</u>	<u>722</u>	<u>—</u>	<u>3,892</u>	<u>13,676</u>	<u>1,483</u>
Total operating revenue	<u>1,912,924</u>	<u>(286,972)</u>	<u>189,918</u>	<u>161,136</u>	<u>364,158</u>	<u>16,721</u>	<u>1,082,517</u>	<u>382,807</u>	<u>2,639</u>
Operating expenses:									
Salaries	933,044	(618)	84,891	87,214	175,163	9,622	329,180	245,653	1,939
Employee benefits	153,340	—	15,545	15,826	31,522	—	56,334	33,783	330
Supplies	399,964	—	24,759	19,080	75,565	2,151	258,858	19,416	135
Purchased services	233,568	—	37,467	24,372	36,444	2,011	95,736	35,807	1,731
Interinstitutional expense	—	(283,515)	1,609	6,523	2,370	—	234,538	38,017	458
Depreciation and amortization	110,234	—	17,439	6,907	16,352	668	56,652	12,214	2
Interest	28,126	(157)	2,458	1,036	2,261	17	22,246	255	10
Other expenses	26,317	—	2,931	573	3,529	—	3,546	15,465	273
Total operating expenses	<u>1,884,593</u>	<u>(284,290)</u>	<u>187,099</u>	<u>161,531</u>	<u>343,206</u>	<u>14,469</u>	<u>1,057,090</u>	<u>400,610</u>	<u>4,878</u>
Operating margin (loss)	<u>28,331</u>	<u>(2,682)</u>	<u>2,819</u>	<u>(395)</u>	<u>20,952</u>	<u>2,252</u>	<u>25,427</u>	<u>(17,803)</u>	<u>(2,239)</u>
Nonoperating gains (losses):									
Net realized gains (losses) on sales of investments	1,153	—	—	(124)	1,277	—	—	—	—
Other, net	2,139	(10,611)	766	3,382	7,258	430	204	710	—
Total nonoperating gains (losses), net	<u>3,292</u>	<u>(10,611)</u>	<u>766</u>	<u>3,258</u>	<u>8,535</u>	<u>430</u>	<u>204</u>	<u>710</u>	<u>—</u>
Excess (deficiency) of revenue over expenses, before nonrecurring gains, net	<u>31,623</u>	<u>(13,293)</u>	<u>3,585</u>	<u>2,863</u>	<u>29,487</u>	<u>2,682</u>	<u>25,631</u>	<u>(17,093)</u>	<u>(2,239)</u>

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combining Statement of Operations and Changes in Net Assets

Year ended December 31, 2018

(Dollars in thousands)

	2018 Combining information								
	Combined total	Eliminations and reclassifications	Center					College	Foundation
			Center and other	CMH	Saratoga	MMEC	AMCH		
Nonrecurring gains (losses):									
Other, net	\$ 19,171	10,611	(1,380)	—	—	—	19,386	(9,446)	—
Total nonrecurring nonoperating gains (losses), net	19,171	10,611	(1,380)	—	—	—	19,386	(9,446)	—
Excess (deficiency) of revenue over expenses	50,794	(2,682)	2,205	2,863	29,487	2,682	45,017	(26,539)	(2,239)
Net assets without donor restrictions:									
Changes in net unrealized gains and losses on investments	(44,460)	—	—	—	—	—	(36,025)	(8,430)	(5)
Net assets released from restrictions used for purchase of property and equipment	9,635	—	39	245	2,303	—	6,373	675	—
Change in fair value of interest rate swaps	1,291	—	1,204	—	—	—	87	—	—
Pension related changes other than net periodic pension costs	(15,100)	—	(2,127)	494	—	—	(5,052)	(8,415)	—
Equity distributions	—	2,800	—	—	—	(2,800)	—	—	—
Net change resulting in reduction of interinstitutional receivable	—	—	—	—	—	—	(20,000)	20,000	—
Transfer from donor restricted net assets	9,763	—	—	—	—	—	—	9,763	—
Increase (decrease) in net assets without donor restrictions	11,923	118	1,321	3,602	31,790	(118)	(9,600)	(12,946)	(2,244)
Net assets with donor restrictions:									
Private gifts, grants, contracts and other	19,594	(12,711)	68	740	1,358	—	4,785	10,986	14,368
Investment interest, dividends and net realized gains (losses), net	5,698	(604)	—	3	—	—	262	5,433	604
Gift distributions	—	10,987	—	—	—	—	—	—	(10,987)
Net assets released from restrictions for operations	(20,269)	—	—	(496)	(722)	—	(3,892)	(13,676)	(1,483)
Net provision for uncollectible accounts	—	601	—	—	—	—	—	—	(601)
Changes in net unrealized gains and losses on investments	(15,361)	803	—	(29)	79	—	(1,600)	(13,811)	(803)
Contributions for property and equipment	7,307	—	39	—	220	—	6,373	675	—
Net assets released from restrictions used for purchase of property and equipment	(9,635)	—	(39)	(245)	(2,303)	—	(6,373)	(675)	—
Transfer to net assets without donor restrictions	(9,763)	—	—	—	—	—	—	9,763	—
Increase (decrease) in net assets with donor restrictions	(22,429)	(924)	68	(27)	(1,368)	—	(445)	(20,831)	1,098
Change in net assets before cumulated effect of change in accounting principles	(10,506)	(806)	1,389	3,575	30,422	(118)	(10,045)	(33,777)	(1,146)
Cumulative effect of change in accounting principle	(1,126)	—	—	(1,126)	—	—	—	—	—
Change in net assets	(11,632)	(806)	1,389	2,449	30,422	(118)	(10,045)	(33,777)	(1,146)
Net assets (deficit), beginning of year	942,459	(23,366)	13,929	40,768	262,095	3,482	456,727	172,387	16,437
Net assets (deficit), end of year	\$ 930,827	(24,172)	15,318	43,217	292,517	3,364	446,682	138,610	15,291

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combining Statement of Cash Flows

Year ended December 31, 2019

(Dollars in thousands)

	2019 Combining information								
	Combined total	Center							
		Eliminations	Center and other	CMH	Saratoga	MMEC	AMCH	College	
Cash flow from operations:									
Changes in net assets	\$ 149,517	1,625	1,550	3,013	31,627	(383)	86,297	29,189	(3,401)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:									
Restricted gifts and income	(12,707)	—	(998)	—	(1,004)	—	(7,665)	(3,040)	—
Gain on joint venture investment	—	(383)	—	—	192	—	191	—	—
Equity distributions	—	—	—	—	(1,600)	3,200	(1,600)	—	—
Gain on demutualization	(6,352)	—	—	(6,105)	(247)	—	—	—	—
Net realized and change in net unrealized gains and losses on investments	(75,399)	491	—	(1,942)	(14,674)	—	(33,531)	(25,258)	(485)
Pension related changes other than net periodic pension costs	(9,959)	—	(1,743)	(478)	—	—	(2,442)	(5,296)	—
Changes resulting in reduction in interinstitutional receivable	—	(550)	—	550	—	—	20,000	(20,000)	—
Change in fair value of interest rate swaps	3,444	—	3,476	(119)	—	—	87	—	—
Depreciation and amortization	112,174	(5,024)	19,532	6,904	21,450	1,550	55,705	12,056	1
Amortization expense of operating leases	17,685	5,024	2,182	2,656	—	—	2,149	5,674	—
Payments of right-of-use lease obligations – operating lease	(16,554)	—	(2,111)	(2,583)	(3,323)	(925)	(2,070)	(5,542)	—
Loss on disposal of property and equipment	1,690	—	—	—	1,684	—	—	6	—
Changes in operating assets and liabilities:									
Receivables, net	(23,337)	—	(1,193)	223	(3,216)	2	(17,123)	(3,458)	1,428
Inventories	(1,815)	—	145	(129)	(1,572)	16	(248)	(27)	—
Prepaid expenses and other assets	2,818	(36)	625	166	1,794	(33)	(43)	359	(14)
Professional liability self-insurance reserve	5,312	—	—	3,025	(1,158)	—	251	3,194	—
Accounts payable	15,030	—	3,824	34	(1,178)	(1,717)	10,797	3,087	183
Accrued expenses and other liabilities	(14,048)	—	12,875	(231)	1,585	—	(35,844)	4,185	3,382
Accrued pension asset	5,880	—	549	(50)	—	—	3,237	2,144	—
Net cash provided by (used in) operating activities	153,379	1,147	38,713	4,934	30,360	1,710	78,148	(2,727)	1,094
Cash flows from investing activities:									
Additions to property and equipment	(111,471)	—	(31,786)	(5,986)	(20,581)	(75)	(41,954)	(11,087)	(2)
Change in debt financed agreements	(5,362)	—	(1)	(328)	(1)	—	(5,032)	—	—
Investment purchases	(126,584)	(491)	(11,126)	—	(18,966)	—	(85,922)	(8,299)	(1,780)
Proceeds from investment maturities	99,653	—	84	—	17,542	—	53,044	27,034	1,949
Proceeds from demutualization	1,182	—	—	935	247	—	—	—	—
Equity distributions	—	—	—	—	1,600	(3,200)	1,600	—	—
Net transfers to affiliates	—	(17,175)	18,470	—	(1,295)	—	—	—	—
Net cash provided by (used in) investing activities	(142,582)	(17,666)	(24,359)	(5,379)	(21,454)	(3,275)	(78,264)	7,648	167
Cash flows from financing activities:									
Principal payments on long-term debt	(23,895)	—	(3,162)	(1,966)	(5,466)	(602)	(12,699)	—	—
Restricted gift and income	13,121	—	998	—	1,418	—	7,665	3,040	—
Issuance of long term debt	22,398	—	13,662	539	—	—	6,550	1,647	—
Cash received under finance lease obligations	16,105	—	—	—	—	—	16,105	—	—
Cash paid for financing costs	(163)	—	(163)	—	—	—	—	—	—
Cash receipts from related party long-term finance lease	—	(2,301)	—	—	—	—	2,301	—	—
Payments of right-of-use lease obligations	(20,435)	2,301	(927)	(1,281)	(224)	—	(18,662)	(1,642)	—
Change in net assets resulting from reduction in interinstitutional receivables	—	(20,000)	—	—	—	—	—	20,000	—
Net transfers to affiliates	—	36,519	(20,513)	65	1,420	1,382	2,010	(25,478)	4,595
Net cash provided by (used in) financing activities	7,131	16,519	(10,105)	(2,643)	(2,852)	780	3,270	(2,433)	4,595
Net increase (decrease) in cash and cash equivalents	17,928	—	4,249	(3,088)	6,054	(785)	3,154	2,488	5,856
Cash and cash equivalents, beginning of year	311,700	—	19,323	23,031	90,281	3,009	155,634	9,226	11,196
Cash and cash equivalents, end of year	\$ 329,628	—	23,572	19,943	96,335	2,224	158,788	11,714	17,052
Supplemental disclosure of cash flow information:									
Cash paid during the year for interest	\$ 28,343	—	3,583	955	—	—	23,580	225	—
Property and equipment included in accounts payable	674	—	—	—	674	—	—	—	—
Equipment acquired under capital lease obligations	16,644	—	—	539	—	—	16,105	—	—

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Combining Statement of Cash Flows

Year ended December 31, 2018

(Dollars in thousands)

	2018 Combining information							
	Combined total	Center						
		Eliminations	Center and other	CMH	Saratoga	MMEC	AMCH	College
Cash flow from operations:								
Changes in net assets	\$ (11,632)	(806)	1,389	2,449	30,422	(118)	(10,045)	(33,777)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:								
Restricted gifts and income	(9,603)	—	(39)	—	(1,578)	—	(6,371)	(1,615)
Impairment losses on investments	1,621	—	—	—	—	—	1,531	90
Impairment losses on goodwill	7,141	—	—	—	—	—	—	7,141
Gain on joint venture investment	—	(118)	—	—	59	—	59	—
Equity distributions	—	—	—	—	(1,400)	2,800	(1,400)	—
Gain on demutualization	(10,611)	—	—	(3,381)	(6,800)	(430)	—	—
Net realized and change in net unrealized gains and losses on investments	18,376	(286)	—	1,145	(1,010)	—	2,086	16,148
Pension related changes other than net periodic pension costs	15,100	—	2,127	(494)	—	—	5,052	8,415
Changes resulting in reduction in interinstitutional receivable	—	550	—	(550)	—	—	20,000	(20,000)
Change in fair value of interest rate swaps	(1,593)	—	(1,204)	(302)	—	—	(87)	—
Depreciation and amortization	110,234	—	17,439	6,907	16,352	668	56,652	12,214
Loss on disposal of property and equipment	143	—	—	—	—	—	—	143
Changes in operating assets and liabilities:								
Receivables, net	(14,233)	(1,962)	44	2,021	(6,584)	256	(10,067)	3,104
Inventories	(3,890)	—	(625)	(135)	(469)	25	(2,780)	94
Prepaid expenses and other assets	(7,442)	36	(280)	57	(1,867)	98	62	(5,616)
Professional liability self-insurance reserve	16,122	—	—	700	—	—	11,315	4,107
Accounts payable	(4,271)	(214)	349	920	3,346	2,012	(9,537)	(1,079)
Accrued expenses and other liabilities	29,026	—	6,220	(912)	7,835	—	13,618	2,974
Accrued pension asset	6,465	—	946	6	—	—	4,784	729
Net cash provided by (used in) operating activities	140,953	(2,800)	26,366	7,731	39,006	5,311	74,872	(6,928)
Cash flows from investing activities:								
Additions to property and equipment	(137,473)	—	(23,803)	(3,882)	(22,642)	(383)	(74,603)	(12,160)
Change in debt financed agreements	(5,241)	—	8	(434)	(1)	—	(4,814)	—
Investment purchases	(119,848)	286	(1,720)	—	(12,220)	—	(91,129)	(9,549)
Proceeds from investment maturities	152,907	—	—	—	7,792	—	128,512	10,665
Proceeds from demutualization	17,311	—	—	10,081	6,800	430	—	—
Equity distributions	—	—	—	—	1,400	(2,800)	1,400	—
Net transfers to affiliates	—	(135)	1,676	—	(742)	(799)	—	—
Net cash provided by (used in) investing activities	(92,344)	151	(23,839)	5,765	(19,613)	(3,552)	(40,634)	(11,044)
Cash flows from financing activities:								
Principal payments on long-term debt	(43,029)	—	(23,770)	(1,886)	(6,422)	—	(10,951)	—
Restricted gift and income	9,618	—	39	—	1,593	—	6,371	1,615
Issuance of long term debt	59,256	—	21,125	604	5,000	—	32,527	—
Cash received under finance lease obligations	24,136	—	—	—	—	—	24,136	—
Cash receipts from related party long-term capital lease	—	1,737	—	—	—	—	(1,737)	—
Principal payments on capital lease objects	(16,007)	—	—	(1,357)	(1,216)	(546)	(12,888)	—
Change in net assets resulting from reduction in interinstitutional receivables	—	(20,000)	—	—	—	—	—	20,000
Net transfers to affiliates	—	20,912	(9,501)	—	—	—	(11,869)	(2,783)
Net cash provided by (used in) financing activities	33,974	2,649	(12,107)	(2,639)	(1,045)	(546)	25,589	18,832
Net increase (decrease) in cash and cash equivalents	82,583	—	(9,580)	10,857	18,348	1,213	59,827	860
Cash and cash equivalents, beginning of year	229,117	—	28,903	12,174	71,933	1,796	95,807	8,366
Cash and cash equivalents, end of year	\$ 311,700	—	19,323	23,031	90,281	3,009	155,634	9,226
Supplemental disclosure of cash flow information:								
Cash paid during the year for interest	\$ 28,183	—	2,458	1,035	2,270	—	22,246	174
Property and equipment included in accounts payable	1,570	—	—	—	1,570	—	—	—
Equipment acquired under capital lease obligations	24,740	—	—	604	—	—	24,136	—

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Columbia Memorial Hospital Consolidating Balance Sheet

December 31, 2019

(Dollars in thousands)

	Columbia Memorial Hospital	Kaaterskill Commons, Inc.	Columbia-Greene Hospital Foundation	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	\$ 17,657	4	2,282	—	19,943
Investments	6,713	—	—	—	6,713
Receivables, net:					
Patient service	11,370	—	—	—	11,370
Contributions	—	—	—	—	—
Interinstitutional receivables	—	—	—	—	—
Other	—	—	—	—	—
	11,370	—	—	—	11,370
Inventories	2,374	—	—	—	2,374
Prepaid expenses and other current assets	2,961	6	29	—	2,996
Total current assets	41,075	10	2,311	—	43,396
Assets whose use is limited:					
Under debt financed agreements	453	86	—	—	539
Self-insurance funds	—	—	—	—	—
Other investments	9,740	—	584	—	10,324
	10,193	86	584	—	10,863
Property and equipment, at cost, net of accumulated depreciation and amortization	41,383	3,284	—	—	44,667
Right-of-use assets – finance leases	3,187	—	—	—	3,187
Right-of-use-assets – operating leases	10,207	—	—	—	10,207
Other assets	4,731	87	—	(2,921)	1,897
Total assets	\$ 110,776	3,467	2,895	(2,921)	114,217

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Columbia Memorial Hospital Consolidating Balance Sheet

December 31, 2019

(Dollars in thousands)

	Columbia Memorial Hospital	Kaaterskill Commons, Inc.	Columbia-Greene Hospital Foundation	Eliminations	Consolidated
Current liabilities:					
Current maturities of long-term debt	\$ 1,167	—	—	—	1,167
Current portion of lease liability – finance leases	1,110	—	—	—	1,110
Current portion of lease liability – operating leases	2,656	—	—	—	2,656
Payables:					
Accounts payable	11,977	12	19	—	12,008
Interinstitutional payables	1,368	—	—	—	1,368
Accrued expenses:					
Salaries and related items	5,857	—	—	—	5,857
Compensated absences	4,752	—	—	—	4,752
Deferred revenue	508	—	—	—	508
Other liabilities	2,795	12	42	—	2,849
Total current liabilities	32,190	24	61	—	32,275
Long-term debt, net of current maturities	14,489	—	—	—	14,489
Long-term lease liability – finance leases	1,267	—	—	—	1,267
Long-term lease liability – operating leases	7,624	—	—	—	7,624
Accrued pension obligation, CMH	2,947	—	—	—	2,947
Other liabilities, long-term	9,466	6	—	(87)	9,385
Total liabilities	67,983	30	61	(87)	67,987
Net assets (deficit):					
Without donor restrictions	39,998	3,437	2,006	(2,006)	43,435
With donor restrictions	2,795	—	828	(828)	2,795
	42,793	3,437	2,834	(2,834)	46,230
Total liabilities and net assets	\$ 110,776	3,467	2,895	(2,921)	114,217

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Columbia Memorial Hospital Consolidating Balance Sheet

December 31, 2018

(Dollars in thousands)

	Columbia Memorial Hospital	Kaaterskill Commons, Inc.	Columbia-Greene Hospital Foundation	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	\$ 20,527	—	2,504	—	23,031
Investments	5,556	—	—	—	5,556
Receivables, net:					
Patient service	12,143	—	—	—	12,143
Contributions	—	—	—	—	—
Interinstitutional receivables	550	—	—	—	550
Other	—	—	—	—	—
	12,693	—	—	—	12,693
Inventories	2,246	—	—	—	2,246
Prepaid expenses and other current assets	2,806	6	65	—	2,877
Total current assets	43,828	6	2,569	—	46,403
Assets whose use is limited:					
Under debt financed agreements	5,015	87	—	—	5,102
Self-insurance funds	—	—	—	—	—
Other investments	4,141	—	506	—	4,647
	9,156	87	506	—	9,749
Property and equipment, at cost, net of accumulated depreciation and amortization	45,299	3,401	—	—	48,700
Other assets	4,010	88	—	(2,496)	1,602
Total assets	\$ 102,293	3,582	3,075	(2,496)	106,454

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Columbia Memorial Hospital Consolidating Balance Sheet

December 31, 2018

(Dollars in thousands)

	Columbia Memorial Hospital	Kaaterskill Commons, Inc.	Columbia-Greene Hospital Foundation	Eliminations	Consolidated
Current liabilities:					
Current maturities of long-term debt	\$ 3,142	—	—	—	3,142
Payables:					
Accounts payable	12,009	20	10	—	12,039
Interinstitutional payables	1,303	—	—	—	1,303
Accrued expenses:					
Salaries and related items	5,497	—	—	—	5,497
Compensated absences	4,578	—	—	—	4,578
Deferred revenue	510	—	—	—	510
Other liabilities	<u>7,913</u>	<u>6</u>	<u>657</u>	<u>—</u>	<u>8,576</u>
Total current liabilities	34,952	26	667	—	35,645
Long-term debt, net of current maturities	17,541	—	—	—	17,541
Accrued pension obligation, CMH	3,475	—	—	—	3,475
Other liabilities, long-term	<u>6,658</u>	<u>6</u>	<u>—</u>	<u>(88)</u>	<u>6,576</u>
Total liabilities	<u>62,626</u>	<u>32</u>	<u>667</u>	<u>(88)</u>	<u>63,237</u>
Net assets (deficit):					
Without donor restrictions	37,260	3,550	1,714	(1,714)	40,810
With donor restrictions	<u>2,407</u>	<u>—</u>	<u>694</u>	<u>(694)</u>	<u>2,407</u>
	<u>39,667</u>	<u>3,550</u>	<u>2,408</u>	<u>(2,408)</u>	<u>43,217</u>
Total liabilities and net assets	<u>\$ 102,293</u>	<u>3,582</u>	<u>3,075</u>	<u>(2,496)</u>	<u>106,454</u>

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Columbia Memorial Hospital Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2019

(Dollars in thousands)

	Columbia Memorial Hospital	Kaaterskill Commons, Inc.	Columbia-Greene Hospital Foundation	Eliminations	Consolidated
Operating revenue:					
Patient service revenue, net	\$ 140,408	—	—	—	140,408
Net provision for uncollectible accounts	—	—	—	—	—
	140,408	—	—	—	140,408
Federal, state, and local grants and contracts	570	—	—	—	570
Interinstitutional revenue	1,603	—	—	—	1,603
Other revenue	15,033	144	1,037	(1)	16,213
Net assets released from restrictions used for operations	198	—	1,038	—	1,236
Total operating revenue	157,812	144	2,075	(1)	160,030
Operating expenses:					
Salaries	86,867	—	191	—	87,058
Employee benefits	15,969	—	13	—	15,982
Supplies	18,793	—	—	—	18,793
Purchased services	24,821	135	1,579	(1,327)	25,208
Interinstitutional expense	8,274	—	—	—	8,274
Depreciation and amortization	6,782	122	—	—	6,904
Interest	955	—	—	—	955
Other expenses	578	—	—	—	578
Total operating expenses	163,039	257	1,783	(1,327)	163,752
Operating margin (loss)	(5,227)	(113)	292	1,326	(3,722)
Nonoperating gains:					
Net realized gains on sales of investments	2,739	—	—	—	2,739
Other, net	3,080	—	—	—	3,080
Total nonoperating gains (losses), net	5,819	—	—	—	5,819
Excess (deficiency) of revenue over expenses, before nonrecurring gains (losses)	592	(113)	292	1,326	2,097

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Columbia Memorial Hospital Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2019

(Dollars in thousands)

	<u>Columbia Memorial Hospital</u>	<u>Kaaterskill Commons, Inc.</u>	<u>Columbia-Greene Hospital Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Nonrecurring gains (losses):					
Other, net	\$ —	—	—	—	—
Total nonrecurring gains (losses)	—	—	—	—	—
Excess (deficiency) of revenue over expenses	592	(113)	292	1,326	2,097
Net assets without donor restrictions:					
Net assets released from restrictions used for purchase of property and equipment	1,376	—	—	(1,326)	50
Pension related changes other than net periodic pension costs	478	—	—		478
Changes in interest in net assets of Columbia-Greene Hospital Foundation	292	—	—	(292)	—
Increase (decrease) in net assets without donor restrictions	2,738	(113)	292	(292)	2,625
Net assets with donor restrictions					
Private gifts, grants, contracts and other	1,821	—	1,046	(1,326)	1,541
Investment interest, dividends and net realized gains (losses), net	1	—	—	—	1
Net assets released from restrictions for operations	(198)	—	(1,038)	—	(1,236)
Changes in net unrealized gains and losses on investments	6	—	126	—	132
Net assets released from restrictions used for purchase of property and equipment	(1,376)	—	—	1,326	(50)
Changes in interest in net assets of Columbia-Greene Hospital Foundation	134	—	—	(134)	—
Increase (decrease) in net assets with donor restrictions	388	—	134	(134)	388
Change in net assets, before cumulative effect of change in accounting principle	3,126	(113)	426	(426)	3,013
Cumulative effect of change in accounting principle	—	—	—	—	—
Change in net assets	3,126	(113)	426	(426)	3,013
Net assets, beginning of year	39,667	3,550	2,408	(2,408)	43,217
Net assets, end of year	<u>\$ 42,793</u>	<u>3,437</u>	<u>2,834</u>	<u>(2,834)</u>	<u>46,230</u>

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Columbia Memorial Hospital Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2018

(Dollars in thousands)

	<u>Columbia Memorial Hospital</u>	<u>Kaaterskill Commons, Inc.</u>	<u>Columbia-Greene Hospital Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenue:					
Patient service revenue, net	\$ 140,589	—	—	—	140,589
Net provision for uncollectible accounts	—	—	—	—	—
	140,589	—	—	—	140,589
Federal, state, and local grants and contracts	2,045	—	—	—	2,045
Interinstitutional revenue	2,882	—	—	—	2,882
Other revenue	13,926	142	1,057	(1)	15,124
Net assets released from restrictions used for operations	297	—	199	—	496
	159,739	142	1,256	(1)	161,136
Total operating revenue					
Operating expenses:					
Salaries	87,108	—	106	—	87,214
Employee benefits	15,806	—	20	—	15,826
Supplies	19,080	—	—	—	19,080
Purchased services	23,930	141	957	(656)	24,372
Interinstitutional expense	6,523	—	—	—	6,523
Depreciation and amortization	6,786	121	—	—	6,907
Interest	1,036	—	—	—	1,036
Other expenses	573	—	—	—	573
	160,842	262	1,083	(656)	161,531
Total operating expenses					
Operating margin (loss)	(1,103)	(120)	173	655	(395)
Nonoperating gains:					
Net realized losses on sales of investments	(124)	—	—	—	(124)
Other, net	3,382	—	—	—	3,382
	3,258	—	—	—	3,258
Total nonoperating gains (losses), net					
Excess (deficiency) of revenue over expenses, before nonrecurring gains (losses)	2,155	(120)	173	655	2,863

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Columbia Memorial Hospital Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2018

(Dollars in thousands)

	<u>Columbia Memorial Hospital</u>	<u>Kaaterskill Commons, Inc.</u>	<u>Columbia-Greene Hospital Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Nonrecurring gains (losses):					
Other, net	\$ —	—	—	—	—
Total nonrecurring gains (losses)	—	—	—	—	—
Excess (deficiency) of revenue over expenses	2,155	(120)	173	655	2,863
Net assets without donor restrictions:					
Net assets released from restrictions used for purchase of property and equipment	900	—	—	(655)	245
Pension related changes other than net periodic pension costs	494	—	—	—	494
Changes in interest in net assets of Columbia-Greene Hospital Foundation	173	—	—	(173)	—
Increase (decrease) in net assets without donor restrictions	3,722	(120)	173	(173)	3,602
Net assets with donor restrictions					
Private gifts, grants, contracts and other	1,127	—	267	(654)	740
Investment interest, dividends and net realized gains (losses), net	3	—	—	—	3
Net assets released from restrictions for operations	(298)	—	(198)	—	(496)
Changes in net unrealized gains and losses on investments	(4)	—	(25)	—	(29)
Net assets released from restrictions used for purchase of property and equipment	(900)	—	—	655	(245)
Changes in interest in net assets of Columbia-Greene Hospital Foundation	45	—	—	(45)	—
Increase (decrease) in net assets with donor restrictions	(27)	—	44	(44)	(27)
Change in net assets, before cumulative effect of change in accounting principle	3,695	(120)	217	(217)	3,575
Cumulative effect of change in accounting principle	(1,126)	—	—	—	(1,126)
Change in net assets	2,569	(120)	217	(217)	2,449
Net assets, beginning of year	37,098	3,670	2,191	(2,191)	40,768
Net assets, end of year	<u>\$ 39,667</u>	<u>3,550</u>	<u>2,408</u>	<u>(2,408)</u>	<u>43,217</u>

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Saratoga Hospital and Affiliates Consolidating Balance Sheet

December 31, 2019

(Dollars in thousands)

Assets	Saratoga Hospital	Saratoga Regional Medical, PC	Saratoga Care, Inc.	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Current assets:									
Cash and cash equivalents	\$ 89,142	6,689	249	180	—	96,260	75	—	96,335
Investments	65,242	—	—	476	—	65,718	100	—	65,818
Accounts receivable:									
Patient care	34,528	672	—	—	—	35,200	—	—	35,200
Contributions	—	—	1,069	—	(150)	919	—	(40)	879
Interinstitutional receivables	—	—	—	—	—	—	—	—	—
Other	5,451	—	—	38	(61)	5,428	—	—	5,428
	39,979	672	1,069	38	(211)	41,547	—	(40)	41,507
Inventories	8,636	—	—	49	—	8,685	—	—	8,685
Prepaid expenses and other current assets	6,062	—	23	—	—	6,085	—	—	6,085
Total current assets	209,061	7,361	1,341	743	(211)	218,295	175	(40)	218,430
Assets whose use is limited:									
Under debt financed agreements	1,690	—	—	—	—	1,690	—	—	1,690
Self-insurance funds	1,021	—	—	—	—	1,021	—	—	1,021
Other investments	3,768	—	—	—	—	3,768	—	—	3,768
	6,479	—	—	—	—	6,479	—	—	6,479
Property, plant, and equipment:									
Property, plant, and equipment	203,969	1,387	57	122	—	205,535	—	—	205,535
Less accumulated depreciation and amortization	48,824	240	57	90	—	49,211	—	—	49,211
	155,145	1,147	—	32	—	156,324	—	—	156,324
Right-of-use-assets – operating leases, net	32,238	—	—	771	—	33,009	—	—	33,009
Long-term investments	56,991	—	—	—	—	56,991	—	—	56,991
Other assets:									
Interinstitutional receivables	14,576	—	—	—	(14,576)	—	—	—	—
Deferred compensation agreements	6,701	—	—	—	—	6,701	—	—	6,701
Contributions receivable, net	—	—	935	—	(340)	595	—	(100)	495
Assets held in charitable trusts	—	—	428	—	—	428	—	—	428
Interest in net assets of Saratoga Care Foundation	2,433	—	—	—	(2,433)	—	—	—	—
Investment in Healthcare Partners of Saratoga, Ltd.	1,753	—	—	—	—	1,753	—	—	1,753
Other noncurrent assets	1,665	—	—	—	—	1,665	—	—	1,665
	3,418	—	—	—	—	3,418	—	—	3,418
	27,128	—	1,363	—	(17,349)	11,142	—	(100)	11,042
Total assets	\$ 487,042	8,508	2,704	1,546	(17,560)	482,240	175	(140)	482,275

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Saratoga Hospital and Affiliates Consolidating Balance Sheet

December 31, 2019

(Dollars in thousands)

Liabilities and Net Assets	Saratoga Hospital	Saratoga Regional Medical, PC	Saratoga Care, Inc.	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Current liabilities:									
Current portion of long-term debt	\$ 4,128	—	—	—	—	4,128	—	—	4,128
Current portion of lease liability – finance leases	407	—	—	—	—	407	—	—	407
Current portion of lease liability – operating leases	1,827	—	—	91	—	1,918	—	—	1,918
Accounts payable and accrued expenses	11,398	—	—	175	(188)	11,385	40	(40)	11,385
Interinstitutional payables	1,710	—	—	—	—	1,710	—	—	1,710
Accrued salaries, wages, and related items	17,528	—	—	23	(23)	17,528	—	—	17,528
Compensated absences	9,069	—	—	—	—	9,069	—	—	9,069
Other current liabilities:									
Accrued interest payable	58	—	—	—	—	58	—	—	58
Estimated third-party settlements	4,540	—	—	—	—	4,540	—	—	4,540
Total other current liabilities	4,598	—	—	—	—	4,598	—	—	4,598
Total current liabilities	50,665	—	—	289	(211)	50,743	40	(40)	50,743
Long-term debt, net of current portion and unamortized financing expenses									
Long-term lease liability – finance leases	60,182	—	—	—	—	60,182	—	—	60,182
Long-term lease liability – operating leases	4,368	—	—	—	—	4,368	—	—	4,368
Due to affiliates	30,761	—	—	691	—	31,452	—	—	31,452
Professional liability self-insurance reserve	—	14,576	—	340	(14,916)	—	100	(100)	—
Other long-term liabilities	1,142	—	—	—	—	1,142	—	—	1,142
Total liabilities	157,105	14,576	257	1,320	(15,127)	158,131	140	(140)	158,131
Net assets:									
Without donor restrictions	323,708	(6,068)	14	226	500	318,380	35	140	318,555
With donor restrictions	6,229	—	2,433	—	(2,933)	5,729	—	(140)	5,589
	329,937	(6,068)	2,447	226	(2,433)	324,109	35	—	324,144
Total liabilities and net assets	<u>\$ 487,042</u>	<u>8,508</u>	<u>2,704</u>	<u>1,546</u>	<u>(17,560)</u>	<u>482,240</u>	<u>175</u>	<u>(140)</u>	<u>482,275</u>

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Saratoga Hospital and Affiliates Consolidating Balance Sheet

December 31, 2018

(Dollars in thousands)

Assets	Saratoga Hospital	Saratoga Regional Medical, PC	Saratoga Care, Inc.	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Current assets:									
Cash and cash equivalents	\$ 87,236	2,508	213	135	—	90,092	189	—	90,281
Investments	57,554	—	—	428	—	57,982	—	—	57,982
Accounts receivable:									
Patient care	32,410	688	—	—	—	33,098	—	—	33,098
Contributions	—	—	1,063	—	(160)	903	—	(40)	863
Interinstitutional receivables	—	—	—	—	—	—	—	—	—
Other	2,927	—	—	35	(68)	2,894	—	—	2,894
	35,337	688	1,063	35	(228)	36,895	—	(40)	36,855
Inventories	7,073	—	—	40	—	7,113	—	—	7,113
Prepaid expenses and other current assets	7,530	450	13	—	—	7,993	—	—	7,993
Total current assets	194,730	3,646	1,289	638	(228)	200,075	189	(40)	200,224
Assets whose use is limited:									
Under debt financed agreements	1,689	—	—	—	—	1,689	—	—	1,689
Other investments	3,624	—	—	—	—	3,624	—	—	3,624
	5,313	—	—	—	—	5,313	—	—	5,313
Property, plant, and equipment:									
Property, plant, and equipment	181,681	619	57	113	—	182,470	—	—	182,470
Less accumulated depreciation and amortization	31,163	70	57	81	—	31,371	—	—	31,371
	150,518	549	—	32	—	151,099	—	—	151,099
Long-term investments	49,894	—	—	—	—	49,894	—	—	49,894
Other assets:									
Interinstitutional receivables	9,689	—	—	—	(9,689)	—	—	—	—
Deferred compensation agreements	4,832	—	—	—	—	4,832	—	—	4,832
Contributions receivable, net	—	—	1,603	—	(510)	1,093	—	(150)	943
Assets held in charitable trusts	—	—	410	—	—	410	—	—	410
Interest in net assets of Saratoga Care Foundation	2,946	—	—	—	(2,946)	—	—	—	—
Investment in Healthcare Partners of Saratoga, Ltd.	1,945	—	—	—	—	1,945	—	—	1,945
Other noncurrent assets	1,551	—	—	—	—	1,551	—	—	1,551
	3,496	—	—	—	—	3,496	—	—	3,496
	20,963	—	2,013	—	(13,145)	9,831	—	(150)	9,681
Total assets	\$ 421,418	4,195	3,302	670	(13,373)	416,212	189	(190)	416,211

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Saratoga Hospital and Affiliates Consolidating Balance Sheet

December 31, 2018

(Dollars in thousands)

Liabilities and Net Assets	Saratoga Hospital	Saratoga Regional Medical, PC	Saratoga Care, Inc.	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Current liabilities:									
Current portion of long-term debt	\$ 5,273	—	—	—	—	5,273	—	—	5,273
Accounts payable and accrued expenses	13,335	—	28	199	(228)	13,334	40	(40)	13,334
Interinstitutional payables	290	—	—	—	—	290	—	—	290
Accrued salaries, wages, and related items	16,212	—	—	19	—	16,231	—	—	16,231
Compensated absences	8,337	—	—	—	—	8,337	—	—	8,337
Other current liabilities:									
Accrued interest payable	162	—	—	—	—	162	—	—	162
Estimated third-party settlements	5,418	—	—	—	—	5,418	—	—	5,418
Total other current liabilities	<u>5,580</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,580</u>	<u>—</u>	<u>—</u>	<u>5,580</u>
Total current liabilities	49,027	—	28	218	(228)	49,045	40	(40)	49,045
Long-term debt, net of current portion and unamortized financing expenses									
Due to affiliates	64,512	—	—	—	—	64,512	—	—	64,512
Professional liability self-insurance reserve	—	9,689	—	—	(9,689)	—	—	—	—
Other long-term liabilities	2,300	—	—	—	—	2,300	—	—	2,300
Total liabilities	7,525	—	312	510	(510)	7,837	150	(150)	7,837
	<u>123,364</u>	<u>9,689</u>	<u>340</u>	<u>728</u>	<u>(10,427)</u>	<u>123,694</u>	<u>190</u>	<u>(190)</u>	<u>123,694</u>
Net assets:									
Without donor restrictions	291,487	(5,494)	16	(58)	670	286,621	(1)	190	286,810
With donor restrictions	6,567	—	2,946	—	(3,616)	5,897	—	(190)	5,707
	<u>298,054</u>	<u>(5,494)</u>	<u>2,962</u>	<u>(58)</u>	<u>(2,946)</u>	<u>292,518</u>	<u>(1)</u>	<u>—</u>	<u>292,517</u>
Total liabilities and net assets	\$ 421,418	4,195	3,302	670	(13,373)	416,212	189	(190)	416,211

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Saratoga Hospital and Affiliates Consolidating Statement of Operations

Year ended December 31, 2019

(Dollars in thousands)

	Saratoga Hospital	Saratoga Regional Medical, PC	Saratoga Care, Inc.	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Patient service revenue, net	\$ 366,457	8,675	—	—	—	375,132	—	—	375,132
Interinstitutional revenue	597	—	—	—	—	597	—	—	597
Grants	408	—	—	—	—	408	—	—	408
Other revenue	16,787	1	—	961	—	17,749	112	—	17,861
Net assets released from restrictions	757	—	—	—	(21)	736	—	—	736
Total operating revenue	<u>385,006</u>	<u>8,676</u>	—	<u>961</u>	<u>(21)</u>	<u>394,622</u>	<u>112</u>	—	<u>394,734</u>
Operating expenses:									
Salaries and wages	191,282	5,633	56	—	—	196,971	—	—	196,971
Employee benefits	33,650	1,228	—	—	—	34,878	—	—	34,878
Supplies	80,286	969	42	715	—	82,012	76	—	82,088
Purchased services	38,593	1,195	—	—	—	39,788	—	—	39,788
Interinstitutional expense	—	—	—	—	—	—	—	—	—
Depreciation and amortization	17,406	170	—	11	—	17,587	—	—	17,587
Interest	2,186	—	—	—	—	2,186	—	—	2,186
Other expenses	3,623	55	—	—	—	3,678	—	—	3,678
Transfers to affiliate	—	—	223	31	(254)	—	—	—	—
Total operating expenses	<u>367,026</u>	<u>9,250</u>	<u>321</u>	<u>757</u>	<u>(254)</u>	<u>377,100</u>	<u>76</u>	—	<u>377,176</u>
Operating margin	<u>17,980</u>	<u>(574)</u>	<u>(321)</u>	<u>204</u>	<u>233</u>	<u>17,522</u>	<u>36</u>	—	<u>17,558</u>
Nonoperating gains (losses):									
Net investment (loss) income	14,674	—	—	80	—	14,754	—	—	14,754
Gifts, bequests and other nonoperating income	496	—	319	—	(223)	592	—	—	592
Total nonoperating gains (losses)	<u>15,170</u>	<u>—</u>	<u>319</u>	<u>80</u>	<u>(223)</u>	<u>15,346</u>	<u>—</u>	—	<u>15,346</u>
Excess of revenue over expenses, before nonrecurring nonoperating gains (losses)	<u>33,150</u>	<u>(574)</u>	<u>(2)</u>	<u>284</u>	<u>10</u>	<u>32,868</u>	<u>36</u>	—	<u>32,904</u>
Nonrecurring gains (losses):									
Other, net	(1,684)	—	—	—	—	(1,684)	—	—	(1,684)
Total nonrecurring nonoperating gains (losses)	<u>(1,684)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,684)</u>	<u>—</u>	—	<u>(1,684)</u>
Excess of revenue over expenses	<u>31,466</u>	<u>(574)</u>	<u>(2)</u>	<u>284</u>	<u>10</u>	<u>31,184</u>	<u>36</u>	—	<u>31,220</u>
Net assets released from restrictions used for purchase of property and equipment	<u>755</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(180)</u>	<u>575</u>	<u>—</u>	<u>(50)</u>	<u>525</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ 32,221</u>	<u>(574)</u>	<u>(2)</u>	<u>284</u>	<u>(170)</u>	<u>31,759</u>	<u>36</u>	<u>(50)</u>	<u>31,745</u>

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Saratoga Hospital and Affiliates Consolidating Statement of Operations

Year ended December 31, 2018

(Dollars in thousands)

	Saratoga Hospital	Saratoga Regional Medical, PC	Saratoga Care, Inc.	Guild	Obligated Group Eliminations	Obligated Group	Flower and Fruit	Eliminations	Combined
Patient service revenue, net	\$ 344,251	2,182	—	—	—	346,433	—	—	346,433
Interinstitutional revenue	1,401	—	—	—	—	1,401	—	—	1,401
Grants	344	—	—	—	—	344	—	—	344
Other revenue	14,263	—	—	882	—	15,145	113	—	15,258
Net assets released from restrictions	722	—	—	—	—	722	—	—	722
Total operating revenue	360,981	2,182	—	882	—	364,045	113	—	364,158
Operating expenses:									
Salaries and wages	173,216	1,932	15	—	—	175,163	—	—	175,163
Employee benefits	31,101	421	—	—	—	31,522	—	—	31,522
Supplies	74,430	355	24	700	—	75,509	56	—	75,565
Purchased services	35,887	557	—	—	—	36,444	—	—	36,444
Interinstitutional expense	2,370	—	—	—	—	2,370	—	—	2,370
Depreciation and amortization	16,271	70	—	11	—	16,352	—	—	16,352
Interest	2,261	—	—	—	—	2,261	—	—	2,261
Other expenses	3,513	16	—	—	—	3,529	—	—	3,529
Transfers to affiliate	—	—	115	400	(515)	—	—	—	—
Total operating expenses	339,049	3,351	154	1,111	(515)	343,150	56	—	343,206
Operating margin	21,932	(1,169)	(154)	(229)	515	20,895	57	—	20,952
Nonoperating gains (losses):									
Net investment (loss) income	1,286	—	—	(9)	—	1,277	—	—	1,277
Gifts, bequests and other nonoperating income	6,747	—	125	—	386	7,258	—	—	7,258
Total nonoperating gains (losses)	8,033	—	125	(9)	386	8,535	—	—	8,535
Excess of revenue over expenses, before nonrecurring nonoperating gains (losses)	29,965	(1,169)	(29)	(238)	901	29,430	57	—	29,487
Nonrecurring gains (losses):									
Other, net	—	—	—	—	—	—	—	—	—
Total nonrecurring nonoperating gains (losses)	—	—	—	—	—	—	—	—	—
Excess of revenue over expenses	29,965	(1,169)	(29)	(238)	901	29,430	57	—	29,487
Net assets released from restrictions used for purchase of property and equipment	2,553	—	—	—	(200)	2,353	—	(50)	2,303
Increase (decrease) in net assets without donor restrictions	\$ 32,518	(1,169)	(29)	(238)	701	31,783	57	(50)	31,790

See accompanying independent auditors' report.

**ALBANY MEDICAL CENTER
AND RELATED ENTITIES**

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended December 31, 2019

(Dollars in thousands)

Location in financial statements or related notes	Financial element	GAAP financial statement line item or disclosure	Amount used as ratio input
Primary Reserve Ratio: Expendable Net Assets:			
Balance Sheet	Net assets without donor restrictions	\$ 865,708	865,708
Balance Sheet	Net assets with donor restrictions	214,636	214,636
Not applicable	Unsecured related party receivable	—	—
Balance Sheet	Total property, plant, and equipment, net	928,212	—
Note 19, Financial Responsibility Standards	Property, plant and equipment, net	—	910,210
Note 9, Property, Plant and Equipment	Construction in progress	—	18,002
Balance Sheet	Total lease right-of-use assets	86,793	—
Note 19, Financial Responsibility Standards	Lease right-of-use assets – pre-implementation	—	79,898
Note 19, Financial Responsibility Standards	Lease right-of-use assets – post-implementation	—	6,895
Note 1(l), Goodwill	Intangible assets		10,700
Balance Sheet	Post-employment and pension liabilities	2,947	2,947
Balance Sheet	Post-employment and pension assets	(11,727)	(11,727)
Note 10, Long-Term Debt	Total long-term debt	537,817	—
Note 19, Financial Responsibility Standards	Long-term debt – for long-term purposes	—	537,817
Note 17, Leases	Liability related to finance leases	99,730	99,730
Balance Sheet	Total liability related to lease right-of-use assets	87,509	—
Note 19, Financial Responsibility Standards	Liability related to lease right-of-use assets – pre-implementation	—	80,612
Note 19, Financial Responsibility Standards	Liability related to lease right-of-use assets – post-implementation	—	6,897
Balance Sheet	Annuities with donor restrictions	3,590	3,590
Note 14, Endowment Funds	Term endowments with donor restrictions	125,785	125,785
Primary Reserve Ratio: Expenses and Losses:			
Note 19, Financial Responsibility Standards	Total expenses and losses without donor restrictions		2,020,458
Equity Ratio: Modified Net Assets:			
Balance Sheet	Net assets without donor restrictions	865,708	865,708
Balance Sheet	Net assets with donor restrictions	214,636	214,636
Note 1(l), Goodwill	Intangible assets	—	10,700
Not applicable	Unsecured related party receivable	—	—
Equity Ratio: Modified Assets:			
Balance Sheet	Total assets	2,333,979	2,333,979
Note 19, Financial Responsibility Standards	Lease right-of-use assets – pre-implementation	—	79,898
Note 1(l), Goodwill	Intangible assets	—	10,700
Not applicable	Unsecured related party receivable	—	—
Net Income Ratio:			
Statement of operations and changes in net assets	Change in net assets without donor restrictions	92,261	92,261
Note 19, Financial Responsibility Standards	Total revenues and gains without donor restrictions		2,112,719

See accompanying independent auditors' report.



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Appendix B

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Directors
Albany Medical Center and Related Entities:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the combined financial statements of Albany Medical Center and Related Entities, which comprise the combined balance sheet as of December 31, 2019, and the related combined statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated April 29, 2020, except as to note 19, which is as of September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Albany Medical Center and Related Entities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albany Medical Center and Related Entities' internal control. Accordingly, we do not express an opinion on the effectiveness of Albany Medical Center and Related Entities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albany Medical Center and Related Entities' combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Albany Medical Center and Related Entities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Albany Medical Center and Related Entities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albany, New York

April 29, 2020, except as to note 19, which is as of September 30, 2020

Appendix C

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Schedule of Expenditures of State Awards

Year ended December 31, 2019

(Unaudited)

ALBANY MEDICAL CENTER AND RELATED ENTITIES

Schedule of Expenditures of State Awards

Year ended December 31, 2019

(Unaudited)

Program title	Contract number	Federal CFDA number	Distributions/expenditures		
			Pass-through	Direct	Total
New York State Department of Health:					
Special Supplemental Nutrition Program for Women, Infants & Children	C030448	10.557	\$ 2,171,677	6,964	2,178,641
Comprehensive Care Centers for Eating Disorders	C32279GG	—	—	33,931	33,931
Comprehensive Care Centers for Eating Disorders	C33801GG	—	—	133,714	133,714
Comprehensive Care Centers for Eating Disorders	C03595GG	—	—	56,681	56,681
Women's Health Initiative Comprehensive Care Centers for Eating Disorders	C34490GG	—	—	43,180	43,180
Regional Perinatal Centers	C028938	93.994	345,945	—	345,945
Child & Adult Care Food Program	2086	10.558	45,196	—	45,196
Alzheimer's Disease Assistance Centers	C30945GG	—	—	449,615	449,615
PrEP Service on General & HIV Primary Care Settings	C31338GG	—	—	189,248	189,248
Adolescent/Young Adult HIV Specialized Care Center	C31364GG	—	—	257,875	257,875
Doctors Across New York Ambulatory Care Training Program	C33250GG	—	—	139,504	139,504
Genetic Disease Screening Program Institutional Support	C34850GG	—	—	5,354	5,354
Office of Health insurance Programs	C028893	—	—	227,079	227,079
Office of Health Emergency Preparedness	1991-14	93.889	40,000	6,854	46,854
Office of Addiction Services and Supports	C184294	—	—	62,500	62,500
New York State Education Department:					
Coordinated Collection Development Aid	315190005	—	—	5,372	5,372
Science and Technology Entry Program	C402629	—	—	80,525	80,525
New York State Energy Research & Development Authority:					
NSERDA's On-Site Energy Manager Program	PO-0000123981	—	—	75,012	75,012
New York State Department of Economic Development:					
NYS Incubator and Innovation Hot Spot Support Program	C150220	—	—	168,865	168,865
NYS Incubator and Innovation Hot Spot Support Program	C180220	—	—	55,867	55,867
New York Office of Mental Retardation & Development Disabilities:					
Family Support Services	C024720	—	—	101,248	101,248
New York State Governor's Traffic Safety Committee:					
Child Passenger Safety	CPS-2019-00077-(088)	20.616	20,437	—	20,437
Child Passenger Safety	CPS-2019-00147-(088)	20.616	1,953	—	1,953
New York Department of Criminal Justice:					
NYS Dept. of Criminal Justice	C652118	16.588	37,821	—	37,821
Office of Health Insurance Programs					
VAP Essential Community Provider	—	—	158,375	158,375	158,375
Total New York State Funding		\$ 2,663,029	2,257,763	4,920,792	

See accompanying independent auditors' report.