Consolidated Financial Statements and Supplementary Information and Audit Reports and Schedules Related to the Uniform Guidance

The St. Luke's-Roosevelt Hospital Center and Affiliates
Year Ended December 31, 2019
With Reports of Independent Auditors

Ernst & Young LLP

Building a better working world

The St. Luke's-Roosevelt Hospital Center and Affiliates

Consolidated Financial Statements and Supplementary Information and Audit Reports and Schedules Related to the Uniform Guidance

Year Ended December 31, 2019

Contents

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Report of Independent Auditors

The Management and the Board of Trustees
Mount Sinai Health System, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The St. Luke's-Roosevelt Hospital Center and Affiliates (SLR), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets (deficit), and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SLR as of December 31, 2019 and 2018, and the consolidated results of their operations, changes in their net assets (deficit), and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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Adoption of ASU No. 2016-02, Leases

As discussed in Note 1 to the consolidated financial statements, The St. Luke's-Roosevelt Hospital Center and Affiliates changed their method of accounting for leases as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-02, *Leases*, effective January 1, 2019. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to March 31, 2020. The Schedule of Expenditures of Federal Awards for the year ended December 31, 2019, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 31, 2020 on our consideration of SLR'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 SLR'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 SLR's internal control over financial reporting and compliance.

Ernst & Young LLP

March 31, 2020, except for our report on the
Schedule of Expenditures of Federal Awards for
which the date is September 30, 2020

The St. Luke's-Roosevelt Hospital Center and Affiliates

Consolidated Statements of Financial Position

	December 31 2019	December 31 2018
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 114,486**	$ 51,749
Patient accounts receivable, net	**136,383**	123,820
Professional liabilities insurance recoveries receivable, current portion	**18,084**	14,818
Assets limited as to use, current portion	**67,808**	75,648
Inventories	**15,395**	16,490
Other current assets	**3,324**	2,155
Total current assets	**355,480**	284,680
Pooled investments	**48,363**	42,976
Investments held by captive insurance companies	**70,131**	70,535
Assets limited as to use, less current portion	**44,128**	43,878
Beneficial interest in self-insurance trust	**40,960**	19,940
Other assets	**31,719**	30,946
Right-of-use assets	**27,090**	–
Professional liabilities insurance recoveries receivable, less current portion	**82,385**	67,504
Property, plant, and equipment, net	**696,538**	666,266
Total assets	**$ 1,396,794**	$ 1,226,725
Liabilities and net assets (deficit)		
Current liabilities:		
Accounts payable and accrued expenses	**$ 105,355**	$ 113,823
Accrued salaries and related liabilities	**79,845**	68,770
Accrued interest payable	**690**	741
Accrued construction and capital asset liabilities	**–**	473
Long-term debt, current portion	**18,800**	17,721
Operating lease liabilities, current portion	**4,426**	–
Professional liabilities, current portion	**18,084**	14,818
Due to related organizations, current portion	**77,152**	100,249
Other current liabilities	**34,145**	45,390
Total current liabilities	**338,497**	361,985
Due to related organization, less current portion	**277,027**	128,518
Long-term debt, less current portion	**292,084**	310,800
Operating lease liabilities, less current portion	**23,131**	–
Accrued pension and other postretirement benefits, less current portion	**50,290**	57,640
Professional liabilities, less current portion	**82,385**	67,504
Estimated self-insurance liability	**40,960**	19,940
Other liabilities	**307,942**	281,817
Total liabilities	**1,412,316**	1,228,204
Commitments and contingencies		
Net assets (deficit):		
Net assets without donor restrictions	**(128,189)**	(102,992)
Net assets with donor restrictions	**112,667**	101,513
Total net assets (deficit)	**(15,522)**	(1,479)
Total liabilities and net assets (deficit)	**$ 1,396,794**	$ 1,226,725

See accompanying notes.

The St. Luke's-Roosevelt Hospital Center and Affiliates

Consolidated Statements of Operations

	Year Ended December 31 2019	2018
	(In Thousands)	
Operating revenue		
Net patient service revenue	**$ 1,178,745**	$ 1,060,187
Investment income and net realized gains and losses on sales of securities	**5,593**	3,280
Contributions	**1,236**	13,092
Other revenue	**132,927**	140,415
Net assets released from restrictions	**3,371**	4,635
Total operating revenue before other items	**1,321,872**	1,221,609
Operating expenses		
Salaries and wages	**536,774**	519,530
Employee benefits	**170,464**	166,720
Supplies and other	**545,593**	501,216
Depreciation and amortization	**80,121**	68,426
Interest and amortization	**17,436**	14,863
Total operating expenses before other items	**1,350,388**	1,270,755
Deficiency of operating revenue over operating expenses before other items	**(28,516)**	(49,146)
Other items		
Change in net unrealized gains and losses on investments and assets limited as to use and change in value of alternative investments	**4,327**	(302)
Gain on sale of clinical outreach laboratory business	**–**	1,789
Net periodic pension and postretirement benefit costs (non-service related)	**(1,850)**	(2,202)
Deficiency of revenue over expenses	**(26,039)**	(49,861)
Other changes in net assets without donor restrictions		
Transfer from The Mount Sinai Hospital	**–**	25,000
Change in pension and other postretirement benefits liabilities to be recognized in future periods	**842**	1,377
Total other changes in net assets without donor restrictions	**842**	26,377
Net decrease in net assets without donor restrictions	**$ (25,197)**	$ (23,484)

See accompanying notes.

The St. Luke's-Roosevelt Hospital Center and Affiliates

Consolidated Statements of Changes in Net Assets (Deficit)

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions: Purpose and Time Restrictions	Net Assets with Donor Restrictions: Permanent Endowment	Net Assets with Donor Restrictions: Total Net Assets with Donor Restrictions	Total Net Assets
			(In Thousands)		
Net assets (deficit) at January 1, 2018	$ (79,508)	$ 46,401	$ 59,743	$ 106,144	$ 26,636
Net decrease in net assets without donor restrictions	(23,484)	–	–	–	(23,484)
Donor restricted contributions, net	–	4	–	4	4
Net assets released from restriction	–	(4,635)	–	(4,635)	(4,635)
Total change in net assets (deficit)	(23,484)	(4,631)	–	(4,631)	(28,115)
Net assets (deficit) at December 31, 2018	(102,992)	41,770	59,743	101,513	(1,479)
Net decrease in net assets without donor restrictions	**(25,197)**	**–**	**–**	**–**	**(25,197)**
Donor restricted contributions, net	**–**	**14,524**	**1**	**14,525**	**14,525**
Net assets released from restriction	**–**	**(3,371)**	**–**	**(3,371)**	**(3,371)**
Total change in net assets (deficit)	**(25,197)**	**11,153**	**1**	**11,154**	**(14,043)**
Net assets (deficit) at December 31, 2019	**$ (128,189)**	**$ 52,923**	**$ 59,744**	**$ 112,667**	**$ (15,522)**

See accompanying notes.

The St. Luke's-Roosevelt Hospital Center and Affiliates

Consolidated Statements of Cash Flows

	Year Ended December 31 2019	2018
	(In Thousands)	
Operating activities		
Change in net assets	**$ (14,043)**	$ (28,115)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**80,121**	68,426
Amortization of deferred financing fees	**445**	492
Transfer from The Mount Sinai Hospital	**–**	(25,000)
Change in pension and other postretirement benefits liabilities to be recognized in future periods	**(842)**	(1,377)
Change in net unrealized gains and losses and realized gains and losses from investments and assets limited as to use	**(3,645)**	2,464
Net donor restricted contributions	**(14,525)**	(4)
Gain on sale of clinical outreach laboratory business	**–**	(1,789)
(Decrease) increase in cash resulting from a change in:		
Patient accounts receivable, net	**(12,563)**	(16,184)
Accounts payable and accrued expenses	**(8,468)**	(4,809)
Accrued salaries and related liabilities and other current liabilities	**4,256**	16,396
Change in right-of-use assets	**22**	–
Net effect of increases and decreases in other operating assets and liabilities	**(10,118)**	(7,805)
Net cash provided by operating activities	**20,640**	2,695
Investing activities		
Acquisitions of property, plant, and equipment, net	**(110,393)**	(188,797)
Proceeds from sale of clinical outreach laboratory business	**–**	1,789
Decrease in assets limited as to use	**11,396**	14,623
Funding of self-insurance trust	**(11,383)**	(6,011)
Decrease in investments, net	**20,392**	5,424
Net cash used in investing activities	**(89,988)**	(172,972)
Financing activities		
Principal payments on long-term debt	**(18,082)**	(124,392)
Proceeds from issuance of long-term debt	**–**	104,899
Transfer from The Mount Sinai Hospital	**–**	25,000
Proceeds from related parties, net	**125,412**	154,873
Net donor restricted contributions	**14,525**	4
Net cash provided by financing activities	**121,855**	160,384
Net increase (decrease) in cash, cash equivalents and restricted cash	**52,507**	(9,893)
Cash, cash equivalents and restricted cash at beginning of year	**78,204**	88,097
Cash, cash equivalents and restricted cash at end of year	**$ 130,711**	$ 78,204
Reconciliation of cash, cash equivalents and restricted cash at end of year to the consolidated statements of financial position		
Cash and cash equivalents	**$ 114,486**	$ 51,749
Assets limited as to use: cash and cash equivalents	**16,225**	26,455
Total cash, cash equivalents and restricted cash	**$ 130,711**	$ 78,204
Supplemental disclosure of cash flow information		
Assets acquired under finance lease obligations	**$ 106**	$ –

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

The St. Luke's-Roosevelt Hospital Center, d/b/a Mount Sinai West and Mount Sinai Morningside (collectively, SLR), is a not-for-profit tertiary care teaching hospital that provides inpatient, ambulatory, clinical, referred outpatient and emergency care to the community. SLR operates at two main locations in New York City: Mount Sinai Morningside, located at 114th Street and Amsterdam Avenue; and Mount Sinai West at 1000 10th Avenue. SLR is the sole member of two other not-for-profit corporations: St. Luke's-Roosevelt Hospital Center Foundation and St. Luke's-Roosevelt Institute for Health Sciences, a research organization. SLR is the sole member and shareholder of two for-profit corporations: 425 West 59th Street Condominium, LLC (the 59th Street Condominium), which owns and operates medical office space for hospital physicians; and Manhattan Management Services, Inc., a physician practice management organization. Augustus & James Corporation (A&J), a subsidiary of SLR, owns and operates two residential buildings, is included in the statements.

Prior to September 30, 2013, Continuum Health Partners, Inc. (CHP) was the sole corporate member of SLR, Beth Israel Medical Center (BIMC), and The New York Eye and Ear Infirmary (NYEEI).

On September 30, 2013, BIMC, SLR, and NYEEI (together, the CHP Entities) consummated a transaction pursuant to which the CHP Entities and The Mount Sinai Hospital (MSH), the Icahn School of Medicine at Mount Sinai (ISMMS), and The Mount Sinai Medical Center, Inc. (MSMC) came together to create the Mount Sinai Health System, an integrated health care system and academic medical center (the Transaction). Pursuant to the Transaction, two new not-for-profit entities were formed: Mount Sinai Health System, Inc. (MSHS) and Mount Sinai Hospitals Group, Inc. (MSHG). MSHG was formed to be the sole member of MSH, BIMC, SLR and NYEEI. MSHS was formed to be the sole member of MSHG, ISMMS and MSMC.

In February 2018, MSHG and South Nassau Communities Hospital (SNCH) executed a definitive agreement pursuant to which MSHG would become the sole corporate member of SNCH and its "active parent" under New York Law. The transaction became effective in October 2018. Pursuant to the agreement, MSHG agreed to contribute $120.0 million over a five-year period to be used in support of certain capital projects. For each of the years ended December 31, 2019 and 2018, MSH contributed $20.0 million to SNCH, respectively. Effective September 2019, SNCH is doing business as (d/b/a) Mount Sinai South Nassau (MSSN).

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

Principles of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of SLR and its owned or controlled affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation.

Transactions among SLR and related organizations relate principally to the sharing of certain services, facilities, equipment, and personnel and are accounted for on the basis of allocated cost, as agreed among the parties. Amounts due from or to related organizations for these activities do not bear interest, except for intercompany loans. The nature of SLR's transactions with various related organizations is described more fully in Note 11.

Cash and Cash Equivalents

SLR considers highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. Substantially all of SLR's cash and cash equivalents are deposited with two financial institutions at December 31, 2019 and 2018. Included in cash and cash equivalents are amounts in excess of Federal depository insurance limits. Management does not believe the credit risk related to those deposits to be significant. SLR does not hold any money market funds with significant liquidity restrictions that would require the funds to be excluded from cash equivalents.

Amounts within restricted cash include cash and cash equivalents held within assets limited as to use and represent funds set aside based on management's policy or contractual arrangements.

Patient Accounts Receivable

Patient accounts receivable and net patient service revenue result from the health care services provided by SLR and is reported at the amount that reflects the consideration to which SLR expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration in determination of transaction price.

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

Investments

A substantial portion of SLR's investments are pooled for management purposes with those held by related entities. MSMC has custody of investments held in the investment pool and records all of the pooled investments in its financial statements, with a corresponding liability due to each of the participants in the investment pool for their respective share of the pooled investments; the pool participants report their respective share of the investment pool as "pooled investments." Pooled investments represent assets with donor restrictions that are perpetual in nature and represents SLR's endowment assets. Investment earnings on the pooled investments are recorded by the pool participants, based on their pro rata share of the pool's investment returns.

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

Alternative investments (nontraditional, not readily marketable securities), held in the investment pool, may consist of equity, debt, and derivatives both within and outside the U.S. in multi-strategy hedge funds, event-driven strategies, global investment mandates, distressed securities, and private funds. Alternative investment interests generally are structured such that the investment pool holds a limited partnership interest or an interest in an investment management company. The investment pool's ownership structure does not provide for control over the related investees and the investment pool's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Future funding commitments by members of the investment pool for alternative investments aggregated approximately $194.0 million at December 31, 2019.

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

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

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

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

Investment Income

Investment income from the investment pool is allocated to investment pool participants using the market-value unit method. The annual spending rate for pooled funds is approved by the Board of Trustees annually (see Note 9). Realized gains and losses from the sale of securities are computed using the average cost method.

In the absence of donor restrictions, investment income, realized gains and losses, the change in net unrealized gains and losses on investments and change in value of alternative investments, is reflected in the accompanying consolidated statements of operations within the deficiency of revenue over expenses.

Inventories

SLR values its inventories, principally drugs and medical supplies, at the lower of cost or net realizable value.

Assets Limited as to Use

Assets limited as to use primarily includes assets held by trustees under indenture agreements and assets whose use is restricted for specific purposes. The current portion of assets limited as to use consists of specific purpose funds and internally designated funds.

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

Other Assets

Other assets consist principally of investments in various health care entities accounted for using the equity method and rental properties held primarily for investment.

Deferred Financing Fees

Deferred financing fees represent costs incurred to obtain financing for various construction and renovation projects at SLR. Amortization of these costs extends over the term of the applicable indebtedness and approximates the effective interest method. Unamortized deferred financing fees are reported as a direct deduction from long-term debt.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost and those acquired by gifts and bequests are carried at fair value established at the date of contribution. Depreciation expense is computed utilizing the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years. In accordance with SLR's policy, one-half year's depreciation is recorded in the year of asset acquisition, and a half year's depreciation is recorded in the final year of the asset's useful life. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized, net of any interest earned, as a component of the cost of acquiring those assets. When assets are retired or otherwise disposed of, the cost and the related depreciation are reversed from the accounts, and any gain or loss is reflected in operations. Repairs and maintenance expenditures are expensed as incurred.

Equipment under finance lease obligations is recorded at the present value of the minimum lease payments at the inception of the leases and is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

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

Other Liabilities

Other liabilities in the accompanying consolidated statements of financial position consist primarily of the long-term portion of estimated payables to third-party payors and liabilities related to the insurance program (refer to Note 7).

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SLR's management and the Board of Trustees.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by SLR has been limited by donors to a specific time period or purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SLR or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets (deficit).

Contributions

Contributions, including unconditional promises to give cash and other assets (pledges), are reported at fair value on the date received. The gifts are reported as net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected in net assets with donor restrictions and net assets released from restrictions in the accompanying consolidated financial statements.

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

Performance Indicator

The consolidated statements of operations include the deficiency of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from the deficiency of revenue over expenses, include the change in pension and other postretirement benefits liabilities to be recognized in future periods and the transfer from The Mount Sinai Hospital in 2018 (see Note 11).

SLR differentiates its operating activities through the use of the deficiency of operating revenue over operating expenses before other items as an intermediate measure of operations. For the purposes of display, items which management does not consider components of SLR's operating activities are excluded from this measure and reported as other items in the accompanying consolidated statements of operations.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates relate to patient accounts receivable, amounts due from and to third party payors, professional liabilities and related insurance recoveries receivable, and accrued pension and other postretirement medical benefit liabilities. Actual results may differ from those estimates.

Tax Status

SLR and its consolidated not-for-profit affiliate organizations are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. They are also exempt from New York State and New York City income taxes. Accordingly, no provision for income taxes related to these entities has been made. SLR files unrelated business tax returns annually and submits taxes as determined. Such amounts are not significant to the consolidated financial statements.

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

The Taxpayer Certainty and Disaster Tax Relief Act of 2019, signed into law on December 20, 2019, retroactively repealed IRC Section 512(a)(7) which subjected amounts paid or incurred by an exempt organization to provide certain transportation fringe benefits to its employees to taxation as unrelated business taxable income. The impact of the Taxpayer Certainty and Disaster Tax Relief Act of 2019 was not significant to the accompanying consolidated financial statements.

Investments Held by Captive Insurance Companies

SLR's investments held by captive insurance companies consist of assets which are pooled with other assets maintained by the companies and include investments in marketable securities (91.6% and 92.7% at December 31, 2019 and 2018, respectively) and alternative investments (8.4% and 7.3% at December 31, 2019 and 2018, respectively) that are recorded by the captive insurance companies at fair value based on quoted market prices or other means for the companies' holdings of alternative investments, and capital contributions for certain captive insurance entities carried at cost. The majority of investments held by captive insurance companies are categorized as Level 1 within the fair value hierarchy. SLR reports an allocation of the fair value of the pooled investments in its consolidated statements of financial position (see Note 3).

Recently Adopted Accounting Pronouncements

Effective January 1, 2019, the Hospital adopted ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 requires business-oriented health care not-for-profit entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in the performance indicator unless the investments qualify for a new practicability exception. SLR adopted ASU 2016-01 effective January 1, 2019. The adoption of ASU 2016-01 did not have a material impact on the consolidated financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2016-02, *Leases*, which requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the statements of financial position, including both finance leases (formerly referred to as capital leases) and operating leases. ASU 2016-02 requires expanded disclosure related to lease agreements to help the financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease primarily depend on its classification as a finance or operating lease.

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

SLR adopted ASU 2016-02 effective January 1, 2019, following the modified retrospective method of application. As such, the 2018 consolidated financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. There was no cumulative-effect impact to the 2018 consolidated net assets as a result of the adoption. SLR has made the transition-specific election to apply the package of practical expedients which allows for the carryforward of historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. Additionally, for operating leases entered into prior to January 1, 2019, SLR has elected to utilize the operating leases' initial lease term to determine the discount rate used to initially measure the liability. Certain other accounting policy elections and quantitative and qualitative information pertaining to SLR's adoption of ASU 2016-02 are described in Note 6.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The adoption of ASU 2016-15 did not have a material impact on SLR's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. SLR adopted ASU 2016-18 effective December 31, 2019. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. SLR has adopted ASU 2016-18 using a retrospective transition method.

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

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* ASU 2017-07 addresses how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will be required to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. The standard became effective for SLR for annual periods beginning after December 15, 2018. SLR adopted ASU 2017-07 effective in its December 31, 2019 consolidated financial statements, which required the service cost component of net periodic benefit cost related to its defined benefit plan and other postretirement plan to be reported within salaries and wages on the consolidated statements of operations and to present all other components of net periodic benefit cost as a separate line item excluded from the subtotal for deficiency of operating revenue over operating expenses before other items. Net periodic benefit cost was previously reported within employee benefits expense on the consolidated statements of operations. The effects of the adoption of ASU 2017-07 were applied retrospectively. Adoption of ASU 2017-07 did not have a material impact on SLR's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities, and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets (or a right of release of the promisor's obligation to transfer the assets). SLR adopted ASU 2018-08 effective January 1, 2019. The standard was applied on a modified prospective basis to agreements that were not completed as of the effective date and to agreements entered into after the effective date. The adoption of ASU 2018-08 did not have a material impact to SLR's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,* which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with

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

the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the standard. ASU 2018-15 requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. ASU 2018-15 also requires the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, amongst other provisions. The amendments in ASU 2018-15 are effective for annual reporting periods beginning after December 15, 2020, and interim periods thereafter. Early adoption is permitted. The amendments should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. SLR early adopted ASU 2018-15 effective January 1, 2019, prospectively. The adoption of ASU 2018-15 did not have a material impact on the consolidated financial statements.

Other Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), loans and certain other instruments, entities will be required to use a new forward looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. The ASU is effective for annual periods beginning after December 31, 2021. SLR has not completed the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

In May 2019, the FASB issued 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 Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. Under ASU 2019-06, entities that elect the goodwill accounting alternative will amortize goodwill and perform a one-step impairment test, at either the entity level or the reporting unit level, only when an impairment indicator exists. Entities that elect the intangible asset accounting alternative may recognize fewer intangible assets in an acquisition, and they would be required to elect the goodwill accounting alternative. Entities that elect to adopt the alternatives do not have to demonstrate preferability and will follow the alternatives' transition guidance. Entities

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

that elect this accounting alternative will amortize goodwill on a straight-line basis over 10 years or over a shorter period if they are able to demonstrate that another useful life is more appropriate. SLR has not completed the process of evaluating the impact of ASU 2019-06 on its consolidated financial statements.

The FASB has amended certain guidance related to various disclosures in ASU 2018-13*, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10)—Recognition and Measurement of Financial Assets and Financial Liabilities and* ASU 2018-14*, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.* ASU 2018-13 includes several disclosure changes involving transfers between the fair value levels and other updates related to fair value Level 3 investments. ASU 2018-13 also requires entities that use the practical expedient to measure the fair value of certain investments at their net asset values to disclose (1) the timing of liquidation of an investee's assets and (2) the date when redemption restrictions will lapse, but only if the investee has communicated this information to the entity or announced it publicly. The guidance in ASU 2018-14 requires all sponsors of defined benefit plans to provide certain new disclosures. Among other changes, ASU 2018-14 eliminates the required disclosure for all sponsors of defined benefit plans to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. The updates noted above have effective dates as follows with early adoption permitted: ASU 2018-13: fiscal years beginning after December 15, 2019 and ASU 2018-14: fiscal years ending after December 15, 2021. SLR has not completed the process of evaluating the impact of ASU 2018-13 and ASU 2018-14 on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements and disclosures to conform to the 2019 presentation. These reclassifications have no impact on the net assets previously reported.

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

Net patient service revenue is reported at the amount that reflects the consideration for which SLR expects to be entitled in exchange for providing patient care.

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

SLR uses a portfolio approach to account for categories of patient contracts as collective groups rather than recognizing revenue on an individual contract basis. The portfolio consists of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, SLR believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

SLR's initial estimate of the transaction price for services provided to patients is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to SLR's standard charges. SLR determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, SLR's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, SLR determines the transaction price associated with services rendered on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on SLR's historical collection experience for applicable patient portfolios.

Generally, SLR bills patients and third-party payors after the services are performed and the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by SLR. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. SLR believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in SLR's outpatient settings. SLR measures the performance obligation from admission into SLR or the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

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

Substantially all of its performance obligations relate to contracts with a duration of less than one year. Unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of SLR's in-house patients occurs within days or weeks after the end of the reporting period.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2019 and 2018, changes in SLR's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2019 and 2018 was not significant.

SLR has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, lines of business and timing of when revenue is recognized. Tables providing details of these factors are presented below.

Net patient service revenue disaggregated by payor comprises the following for the years ended December 31:

	2019	2018
	(In thousands)	
Medicare, excluding managed Medicare	**$ 295,709**	$ 230,176
Medicare managed care	**168,960**	151,150
Medicaid, including Medicaid pending	**82,236**	83,124
Medicaid managed care	**140,078**	171,650
Blue Cross	**191,651**	179,720
Managed care	**218,109**	180,427
Commercial and other	**69,606**	58,111
Self-pay	**12,396**	5,829
	$ 1,178,745	$ 1,060,187

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

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the respective primary payor category above.

Net patient service revenue disaggregated by lines of service comprises of the following for the years ended December 31:

	2019	2018
	(In thousands)	
Inpatient services	**$ 881,400**	$ 792,459
Outpatient services	**297,345**	267,728
	$ 1,178,745	$ 1,060,187

Patient accounts receivable, net is comprised of the following:

	December 2019	December 2018
Patient receivables	**$ 120,362**	$ 109,766
Contract assets	**16,021**	14,054
	$ 136,383	$ 123,820

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which SLR does not have the right to bill.

Third-Party Payment Programs

SLR has agreements with third-party payors that provide for payment for services rendered at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

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

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

Non-Medicare: In New York State, hospitals and all non-Medicare payors (including Medicare and Medicaid managed care plans), except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. Outpatient services also are paid based on a statewide prospective system. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services (CMS), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until SLR is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payors will continue to be made in future years.

Other Third-Party Payors: SLR also has entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to SLR under these agreements includes prospectively determined rates per discharge or days of hospitalization and discounts from established charges.

Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary through 2012 and settled through 2011, except for the years 2001 through 2004 for which final settlements have not been issued due to pending litigation, although revisions to final settlements or other retroactive changes could be made. Other years and various issues remain open for audit and settlement, as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information is obtained.

Settlements with third-party payors (see description of third-party payor payment programs above) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and SLR's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in

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

future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the years ended December 31, 2019 and 2018, the net effect of SLR's revisions to prior year estimates and third-party settlements resulted in revenue of approximately $21.2 million and $12.9 million, respectively, which is recorded in net patient service revenue in the consolidated statements of operations.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge SLR's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon SLR. SLR is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations. In addition, certain contracts SLR has with commercial payors also provide for retroactive audit and review of claims.

There are various proposals at the federal and state levels that could, among other things, significantly change payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on SLR. Additionally, certain payors' payment rates for various years have been appealed by SLR. If the appeals are successful, additional income applicable to those years could be realized.

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

SLR grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. Significant concentrations of patient accounts receivable, net at December 31, 2019 and 2018, are as follows:

	2019	**2018**
Medicare	**30%**	28%
Medicaid	**19**	23
Blue cross	**15**	17
Managed care and other	**34**	30
Self-pay	**2**	2
	100%	100%

Uncompensated Care and Community Benefit Expense

For patients who are deemed eligible for charity care and patients who apply and qualify for financial aid under SLR's financial aid policy, care given but not paid for is classified as charity care. For the years ended December 31, 2019 and 2018, the estimated cost of charity care was approximately $23.5 million and $26.0 million, respectively. The estimated cost of charity care includes the direct and indirect cost of providing charity care services and is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

Vital Access Provider Safety Net Program and Medicaid Enhanced Rates

In September 2015, MSHG entered into an agreement with the New York State Department of Health (NYSDOH) to participate in the Vital Access Provider (VAP)/Safety Net Program. MSHG was awarded approximately $81.4 million in VAP funding over three years. In accordance with the governing agreement, MSHG submitted quarterly reports to the NYSDOH, detailing how the VAP funds were being expended, in line with approved objectives, budgets, timelines and benchmarks. In addition, MSHG has committed to complete a full asset merger of MSH, BIMC, SLR and NYEEI. The full asset merger is expected to be completed no later than January 1, 2021. MSHG continues to have discussions with the NYSDOH regarding the provisions of the proposed full asset merger.

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

The NYSDOH had also agreed to provide certain MSHG member hospitals with a temporary Medicaid rate enhancement for three years. The Medicaid rate enhancement was not applicable to SLR as they had historically and continue to be paid at this rate. The enhanced Medicaid rates were paid to the MSHG member hospitals directly by the Medicaid program or Medicaid managed care payors as patient services are rendered. The MSHG member hospitals recognized revenue from the VAP payments on a quarterly basis as reporting requirements were completed and approved expenditures were incurred. All amounts related to VAP funding for the MSHG member hospitals were received by BIMC; amounts due to MSHG member hospitals related to VAP funding are recorded as a component of due to related organizations. In accordance with VAP stipulations, MSHG spent all remaining VAP funds during the first quarter of 2019.

The Medicaid rate enhancements ended on March 31, 2018. For the years ended December 31, 2019 and 2018, SLR recognized approximately $381,000 and $4.3 million, respectively, of VAP funding in other revenue in the accompanying consolidated statements of operations. In the event that conditions of the governing agreement are not met, funding associated with the VAP program and the enhanced Medicaid rates will be refundable to the NYSDOH. Management believes the possibility that the condition will not be met is remote.

3. Investments and Assets Limited as to Use

Investments and assets limited as to use are maintained as follows at December 31:

	2019	2018
	(In Thousands)	
Pooled investments	**$ 48,363**	$ 42,976
Non-pooled investments:		
Assets limited as to use	**111,936**	119,526
Investments held by captive insurance companies	**70,131**	70,535
	182,067	190,061
	$ 230,430	$ 233,037

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

The following table summarizes the composition of the total investment pool at December 31, 2019 and 2018; SLR's interests in the pooled investment components is proportionate based on the ratio of its pooled investment balance to the total of the pool. SLR owns 2.43% and 2.48% of the investment pool at December 31, 2019 and 2018, respectively.

	2019	2018
	(In Thousands)	
Cash and cash equivalents	**$ 25,165**	$ 43,870
Fixed income:		
Mutual funds	**24,153**	4,241
Equities:		
U.S. equities	**198,906**	129,962
Global equities	**59,771**	47,802
Non-U.S. equities	**168,754**	133,291
Alternative investments:		
Hedge funds:		
Long-only equity[a]	**315,111**	213,772
Hedged equity[b]	**339,801**	324,608
Long/short credit[c]	**58,749**	64,407
Open mandate[d]	**296,325**	283,157
Macro[e]	**105,610**	122,529
Private investments:		
Equity[f]	**105,763**	75,482
Credit/distressed[g]	**62,827**	65,216
Real assets[h]	**233,203**	224,672
	$ 1,994,138	$ 1,733,009

[a] Investments, consisting of publicly traded equity holdings with long positions.

[b] Investments, consisting primarily of publicly traded equity holdings with both long and short positions.

[c] Investments, consisting primarily of publicly traded credit holdings with both long and short positions.

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

(d) Investments with a balanced mix of asset exposures and strategies. Underlying exposures primarily include publicly traded equity and credit positions in fundamental value, relative value, and various arbitrage strategies. Investments may reflect a tilt towards equity or credit with hedging and hold large cash positions if value opportunities are not found.

(e) Investments focused on global macro dislocations rather than micro-driven opportunities. Holdings are both long and short in equity, fixed income, currency, and futures markets.

(f) Investments targeting buyout, growth equity, and venture opportunities that require time to reach realization.

(g) Investments in structured credit, claims, or distressed positions of either a minority or controlling interest that require time to reach realization.

(h) Real estate, natural resources, and asset backed royalty investments that require time to reach realization.

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

	2019	**2018**
	(In Thousands)	
Interest and dividend and other income	**$ 8,586**	$ 6,615
Net realized gains on sales of securities	**94,267**	80,920
Change in net unrealized gains and losses and change in value of alternative investments	**195,198**	(124,976)
Fees and other expenses	**(6,488)**	(7,136)
Total	**$ 291,563**	$ (44,577)

SLR was allocated a total investment return from the pool based on agreements among the pool participants and donor stipulations a gain of approximately $7.2 million for the year ended December 31, 2019, and a gain of $1.1 million for the year ended December 31, 2018.

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

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

	2019	2018
	(In Thousands)	
Cash and cash equivalents	**$ 16,225**	$ 26,455
Fixed income	**95,711**	93,071
	$ 111,936	$ 119,526

	2019	2018
	(In Thousands)	
Held under indenture agreements:		
Mortgage reserve fund *(see Note 5)*	**$ 41,615**	$ 39,333
Modernization fund	**–**	1,946
Escrow funds	**2,513**	2,599
	44,128	43,878
Other externally designated funds:		
Specific purpose funds	**9,219**	12,856
	9,219	12,856
Internally designated funds	**58,589**	62,792
	111,936	119,526
Less current portion	**67,808**	75,648
	$ 44,128	$ 43,878

Investment income on assets limited as to use, pooled investments, and cash and cash equivalents consist of the following at December 31:

	2019	2018
	(In Thousands)	
Interest and dividend income	**$ 6,074**	$ 5,442
Net realized loss on sales of securities	**(481)**	(2,162)
Change in net unrealized gains and losses on investments and change in value of alternative investments	**4,327**	(302)
	$ 9,920	$ 2,978

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

The investment return on net assets with donor restrictions was a gain of approximately $2.6 million for the year ended December 31, 2019, and a loss of approximately $2.2 million for the year ended December 31, 2018.

4. Property, Plant, and Equipment

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

	2019	2018
	(In Thousands)	
Land and land improvements	**$ 5,518**	$ 5,518
Buildings and building improvements	**1,251,054**	1,155,202
Equipment, including equipment held under finance leases	**665,551**	623,914
	1,922,123	1,784,634
Less: accumulated depreciation and amortization	**(1,287,517)**	(1,207,402)
	634,606	577,232
Construction in progress	**61,932**	89,034
Property, plant, and equipment, net	**$ 696,538**	$ 666,266

Accumulated amortization associated with equipment held under finance leases was approximately $4.6 million and $5.3 million at December 31, 2019 and 2018, respectively. Substantially all property, plant, and equipment has been pledged as collateral under various debt agreements. During 2019 and 2018, SLR capitalized interest expense of approximately $2.7 million and $2.0 million, respectively, related to various construction projects.

5. Long-Term Debt

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

	2019	2018
	(In Thousands)	
Insured mortgage loan[(a)]	**$ 180,876**	$ 194,972
A&J[(b)]	**101,953**	103,792
59th Street Condominium[(c)]	**29,568**	31,312
Finance leases with interest rates ranging from 2.7% to 3.7%	**1,154**	1,557
	313,551	331,633
Less: unamortized deferred financing costs, net	**2,667**	3,112
Less: current portion	**18,800**	17,721
	$ 292,084	$ 310,800

[(a)] In November 2005, SLR refinanced an existing FHA 241 Loan with an FHA 223 Loan. DASNY issued St. Luke's Roosevelt SLR FHA-Insured Mortgage Hospital Revenue Bonds, Series 2005, the proceeds of which were used to refund the Series 1993A Bonds, refund the Series 2000B Bonds, make the required deposit to the Debt Service Reserve Fund, and pay the costs of issuance of the Series 2005 Bonds. As a result, SLR's interest rate on the FHA 223 Loan was 5.39% (reduced from 7.26% on the FHA 241 Loan) and the repayment period was extended 121 months from April 2020 to May 2030.

In July 2014, Prudential Huntoon Paige Associates, Ltd. (Prudential) issued Government National Mortgage Association (GNMA) securities, the proceeds of which were combined with the proceeds of the liquidated assets of the Debt Service Reserve Fund, to establish a defeasance account which will be used to refund the DASNY Series 2005 bonds underlying the FHA 223 insured mortgage and pay all GNMA issuance costs, as well as the costs associated with the assignment of the mortgage from DASNY to Prudential. The DASNY Series 2005 bonds were called on August 15, 2015 (the call date). This transaction resulted in a reduction in the interest rate of the FHA 223 mortgage loan, effective July 10, 2014, to a fixed rate of 3.56% over the remaining term and a decrease in the SLR mortgage reserve fund requirement of approximately $5.5 million. Monthly payments for the loan are approximately $1.7 million, consisting of principal and interest. At December 31, 2019 and 2018, the FHA 223 Loan balance was approximately $180.9 million and $195.0 million, respectively.

5. Long-Term Debt (continued)

As a condition to insuring the FHA 223 Loan, the Federal Housing Administration (FHA) requires that SLR maintain a Mortgage Reserve Fund (MRF) whose balance is fully funded at the agreed-upon two full years' debt service on the FHA 223 Loan. During 2014, in addition to the reduced requirement relating to the advance refunding, SLR received HUD approval to use MRF assets to acquire needed capital projects. At December 31, 2015, the required MRF balance was approximately $41.6 million per SLR's agreement with HUD. However, during 2014, SLR received approval from its mortgagor and HUD to borrow up to $12.0 million from the MRF in order to fund essential capital projects (approximately $10.3 million was borrowed by SLR). At December 31, 2018, the amount outstanding was $2.3 million. As of December 31, 2019, the full $10.3 borrowed was repaid and approximately $41.6 million is on deposit in the fund, which represents the required balance.

Pursuant to these borrowings, SLR is required to maintain certain financial and nonfinancial covenants. For the years ended December 31, 2019 and 2018, SLR was in compliance with all covenants.

(b) On November 1, 2007, A&J entered into a mortgage loan with a commercial bank for $120.0 million, the proceeds of which was used to repay a real estate term note, its New York State Health Facilities Association (NYSHFA) mortgage, and provide working capital funds to SLR. The mortgage had a 10-year term, with interest only payments for the first three years. The collateral for this loan was the Millicent Hearst Building.

In November 2018, A&J refinanced its outstanding 2007 mortgage loan with a new ten-year mortgage loan based on a thirty-year amortization with a final balloon payment due in November 2028. The refinanced loan, which was entered into with a commercial bank for approximately $250.0 million, is a combined obligation of A&J and MSMC Residential Realty LLC (collectively, the Mortgagor). Approximately $105.0 million of the loan proceeds were allocated to A&J. The mortgage loan is secured by certain properties of the Mortgagor. The mortgage loan bears interest at a rate of 4.10% and payment of principal and interest are due quarterly (final principal payment of approximately $82.4 million due in November 2028). Interest paid by A&J under the refinanced loan for the years ended December 31, 2019 and December 31, 2018, was approximately $4.2 million and $0.4 million, respectively. In accordance with the mortgage, the Mortgagor is required to comply with certain covenants. For the year

5. Long-Term Debt (continued)

ended December 31, 2019, the Mortgagor was in compliance with these covenants. In the event of default, the lender can only seek repayment from collateral of the Mortgagor and not from any other assets of SLR (refer to the consolidating statement of financial position).

(c) In April 2008, SLR exercised its option to purchase commercial space condominiums from a local developer. The commercial space is located across from the Mount Sinai West campus and was rented from the developer for hospital operations. SLR created a specific purpose entity, the 59th St. Condominium, to purchase and operate the condominiums. The 59th St. Condominium entered into a $44.5 million mortgage with an investment house to purchase the condominiums, as well as to provide funds to SLR for capital improvements. The mortgage has a 20-year term and bears interest at 6.22% per annum. Payment of principal and interest are due monthly. The mortgage is collateralized by the condominiums. In the event of default, the lender can only seek repayment from the 59th St. Condominium collateral and not from any other assets of SLR (refer to the consolidating statement of financial position).

Pursuant to the debt agreement, the 59th St. Condominium is required to maintain certain covenants. For the years ended December 31, 2019 and 2018, the 59th St. Condominium was in compliance with all covenants.

Scheduled principal payments are as follows:

	Long-Term Debt *(In Thousands)*
2020	$ 18,339
2021	19,090
2022	19,847
2023	20,634
2024	21,455
Thereafter	213,032
	$ 312,397

6. Leases

As described in Note 1, SLR adopted ASU 2016-02 effective January 1, 2019. SLR leases certain property and equipment under finance and operating leases, the classification of which is based on the underlying terms of the agreement and certain criteria, such as lease term relative to useful life and total lease payments compared to fair value, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than one year (or initially greater than one year remaining under the lease at the date of adoption of ASU 2016-02), SLR records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. SLR's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless SLR is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, SLR has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. SLR has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments, as permitted by ASU 2016-02. As such, SLR accounts for the applicable non-lease components together with the related lease components when determining the right-of-use assets and liabilities.

SLR has made an accounting policy election not to record leases with an initial term of less than one year as right-of-use assets and liabilities.

Operating leases with a present value of approximately $34.1 million were recorded as right-of-use assets and liabilities as of January 1, 2019 upon the adoption of ASU 2016-02.

6. Leases (continued)

The following schedule summarizes information related to the lease assets and liabilities as of and for the year ended December 31, 2019 (in thousands):

Right-of-use assets and liabilities	
Right-of-use assets – operating leases	$ 27,090
Right-of-use liabilities –operating leases	$ 27,557
Other information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	6,702
Weighted-average remaining lease term – operating leases	7.77 years
Weighted-average discount rate – operating leases	2.74%

For finance leases, right-of-use assets are recorded in property, buildings and equipment and lease liabilities are recorded in long-term debt in the accompanying consolidated statements of financial position. For operating leases, right-of-use assets are recorded in right-of-use assets and lease liabilities are recorded in operating lease liabilities, current and non-current, in the accompanying consolidated statement of financial position.

6. Leases (continued)

The following table reconciles the undiscounted lease payments to the lease liabilities recorded on the accompanying consolidated statement of financial position at December 31, 2019 (in thousands):

	Operating Leases
2020	$ 5,115
2021	5,350
2022	4,489
2023	4,154
2024	3,249
Thereafter	8,392
Total lease payments	30,749
Less: imputed interest/present value discount	3,192
Total lease obligations	27,557
Less: current portion	4,426
Long–term portion	$ 23,131

Total rental expense for the years ended December 31, 2019 and 2018 aggregated approximately $3.3 million and $2.0 million, respectively. Sublease income and contingent rentals were not significant. SLR leases certain properties owned by related entities.

7. Professional and General Liability Insurance Program

Prior to 2004, SLR, together with several other not-for-profit institutions, obtained primary and excess professional and general liability insurance, on an occurrence basis, through a jointly owned captive insurance company, which provided coverage through a combination of shared captive limits and commercial carrier policies. Premiums were based on the experience of SLR and the other institutions. During the five-year period from July 1999 through June 2004, the combined losses of the captive members were expected to exceed the level of available insurance. The captive members entered into an agreement to provide additional contributions to fund a trust and additional insurance policies to assure adequate resources were available to cover all claims, including those in excess of captive insurance limits. During 2013, as a result of favorable claims development and regulatory changes related to the five-year period from July 1999 through

7. Professional and General Liability Insurance Program (continued)

June 2004, the captive insurance company commutated the additional insurance policies and distributed excess funds from those policies and the trust to the captive members. All claims for this five-year period that exceed the remaining commercial carrier limits have been recorded as a liability of SLR. As of June 30, 2004, the jointly owned captive insurance company went into run off and no longer writes premiums.

Effective July 1, 2004, SLR joined with other unrelated not-for-profit institutions to form a segregated cell captive structure through CCC Insurance Company (CCCI). CCCI formed CCC Insurance Company SCC and implemented a "cell captive" structure which replaced the previous coverage structure. Under the cell captive program, primary coverage for individual claims for each participating hospital is provided through a commercial insurance carrier on an occurrence basis. The first layer of excess coverage under the program utilizes individual cells for each participating hospital, under which invested assets and insurance related liabilities are segregated for each participant and there is no shared risk among the entities.

The estimated undiscounted professional liabilities for asserted claims of the cell captive insurance program (SLR's cell) and for incidents that have been incurred but not yet reported as of December 31, 2019 and 2018, aggregated approximately $60.9 million and $75.6 million, respectively, and are reported within other liabilities in the accompanying consolidated statements of financial position. Such estimates are reviewed and updated annually. Effective January 1, 2015, the SLR segregated cell went into run off and no longer writes premiums.

As of January 1, 2015, SLR purchases professional liability insurance from Hospital Insurance Company, a NYS admitted carrier. Professional liabilities representing the amount of SLR's medical malpractice liabilities that are reinsured from commercial and captive insurance companies, are included in professional liabilities in the accompanying consolidated statements of financial position. Such liabilities amounted to approximately $100.5 million and $82.3 million at December 31, 2019 and 2018, respectively. The corresponding amounts due from the commercial and captive insurance companies are reported under professional liabilities insurance recoveries receivable on the accompanying consolidated statements of financial position.

Effective January 1, 2018, the Mount Sinai Health System Self-Insurance Trust (the Self-Insurance Trust) was established to provide coverage in excess of current insurance program limits. Currently, MSH, BIMC, SLR, and NYEEI participate in the Self-Insurance Trust, which is irrevocable. As of December 31, 2019, the Self-Insurance Trust held investments of $17.4 million on behalf of SLR and a receivable from SLR of approximately $23.6 million both of which are

7. Professional and General Liability Insurance Program (continued)

included in beneficial interest in self-insurance trust in the accompanying 2019 consolidated statement of financial position. As of December 31, 2018, the Self-insurance Trust held investments of approximately $6.0 million and a receivable from SLR of approximately $13.9 million.

In addition, as of December 31, 2019 and December 31, 2018, the Self-Insurance Trust had actuarially determined liabilities of approximately $41.0 million and $19.9 million, respectively, discounted at 3.5% which is included as estimated self-insurance liability in the accompanying consolidated statements of financial position.

In addition to coverage for the participating hospitals' professional liability, the program also includes captive cells for coverage of physicians' professional liability. In 2008, a second captive cell was established for the policy year beginning July 1, 2008. Premiums for these physician captive cells are to be paid by the participating physicians; however, the participating hospitals are responsible for funding a portion of the cells' initial capital and surplus requirements and could be subject to additional capital contributions in the future if the equity of these cells falls below certain levels. Coverage within the physician cells is pooled; however, there is no shared risk with the hospital-liability cell captives. In 2018, SLR received distributions from both physician cells representing dividends and return of equity.

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

Professional liability claims have been asserted by various claimants. The claims are in various stages of processing and some have been and may ultimately be brought to trial. Furthermore, there are known incidents that have occurred that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. It is the opinion of management, based on prior experience and the advice of legal counsel, that the ultimate resolution of professional liability claims will not have a significant effect on the accompanying consolidated financial statements.

8. Pension and Similar Plans and Other Postretirement Benefit Plans

Retirement Benefits

SLR provides pension and similar benefits to its nonunion employees through a solely sponsored defined benefit plan (the Non-union Plan). On May 12, 2007, SLR froze the Nonunion Plan and converted these nonunion employees on a go-forward basis to a defined contribution plan. Contributions to non-union defined contribution plans approximated $4.7 million and $4.5 million for the years ended December 31, 2019 and 2018, respectively.

Effective September 30, 2012, the Beth Israel Medical Center King's Highway Division Employee's Pension Plan was merged with and into the St. Luke's-Roosevelt Hospital Center Employees' Pension Plan.

SLR uses a measurement date of December 31 for its retirement and postretirement benefit plans.

Postretirement Benefits

SLR provides certain non-union retirees and their spouses with hospital and medical insurance which supplements health coverage provided through the Medicare program for Medicare covered retirees and provides primary coverage for retirees younger than 65 years of age. Employees are generally eligible for this benefit if they commenced employment prior to 1988, and if the total of their age and years of service at the time of their retirement equals or exceeds 70. Retirees qualifying for the plan also receive $5,000 in life insurance benefits. SLR also provides benefits to certain current NYSNA retirees and NYSNA employees entitled to future benefits.

8. Pension and Similar Plans and Other Postretirement Benefit Plans (continued)

The following table sets forth the funded status of the non-union plans as of December 31:

	Retirement Benefits		Postretirement Benefits	
	2019	**2018**	**2019**	**2018**
	(In Thousands)			
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 177,438**	$ 196,535	**$ 11,307**	$ 12,569
Service cost	**–**	–	**152**	180
Interest cost	**7,433**	6,842	**392**	401
Plan participant contributions	**–**	–	**372**	357
Actuarial loss (gain)	**19,413**	(16,437)	**(965)**	(767)
Benefits paid	**(10,065)**	(9,502)	**(1,104)**	(1,493)
Medicare Part D subsidy	**–**	–	**–**	60
Benefit obligation at end of year	**194,219**	177,438	**10,154**	11,307
Change in plan assets				
Fair value of plan assets at beginning of year	**129,861**	143,599	**–**	–
Actual return on plan assets	**25,262**	(10,736)	**–**	–
Employer contribution	**7,830**	6,500	**–**	–
Benefits paid	**(10,065)**	(9,502)	**–**	–
Fair value of plan assets at end of year	**152,888**	129,861	**–**	–
Funded status of the plans	**(41,331)**	(47,577)	**(10,154)**	(11,307)
Less current liability	**–**	–	**1,195**	1,244
Long-term liability	**$ (41,331)**	$ (47,577)	**$ (8,959)**	$ (10,063)

Weighted-average assumptions used to determine benefit obligations are as follows:

	Retirement Benefits		Health Retirement Benefits	
	2019	**2018**	**2019**	**2018**
Discount rate	**3.30%**	4.30%	**2.95%**	4.05%
Expected long-term rate of return on plan assets	**5.50%**	5.50%	**N/A**	N/A

The accumulated benefit obligation for the retirement plan is approximately $194.2 million and $177.4 million at December 31, 2019 and 2018, respectively.

8. Pension and Similar Plans and Other Postretirement Benefit Plans (continued)

SLR's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as SLR may determine to be appropriate from time to time. SLR contributed approximately $7.8 million and $6.5 million to the Non-union Plan in 2019 and 2018, respectively. SLR expects to contribute $8.0 million to the plan in 2020.

The actuarial loss (gain) in 2019 and 2018 primarily relates to changes in the discount rate and mortality table and improvement scale to measure the benefit obligations.

The following table sets forth the components of net periodic benefit cost (credit) for the years ended December 31:

	Retirement Benefits		Health Retirement Benefits	
	2019	**2018**	**2019**	**2018**
	(In Thousands)			
Service cost	**$ –**	$ –	**$ 152**	$ 180
Interest cost	**7,433**	6,842	**392**	401
Expected return on plan assets	**(7,100)**	(7,821)	**–**	–
Amortization of net prior service cost	**40**	40	**–**	–
Amortization of actuarial loss (gain)	**2,994**	2,784	**(1,909)**	(44)
Total net periodic benefit cost (credit)	**$ 3,367**	$ 1,845	**$ (1,365)**	$ 537

	Retirement Benefits		Health Retirement Benefits		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	(In Thousands)					
Other changes recognized in unrestricted net assets						
Actuarial loss (gain)	**$ 1,251**	$ 2,120	**$ (968)**	$ (717)	**$ 283**	$ 1,403
Amortization of net prior service cost	**(40)**	(40)	**–**	–	**(40)**	(40)
Amortization of actuarial loss (gain)	**(2,994)**	(2,784)	**1,909**	44	**(1,085)**	(2,740)
Total recognized in unrestricted net assets	**$ (1,783)**	$ (704)	**$ 941**	$ (673)	**$ (842)**	$ (1,377)

8. Pension and Similar Plans and Other Postretirement Benefit Plans (continued)

	Retirement Benefits		Health Retirement Benefits	
	2019	**2018**	**2019**	**2018**
	(In Thousands)			
Amount unrecognized in unrestricted net assets				
Actuarial loss (gain)	**$ 83,181**	$ 84,924	**$ 252**	$ (689)
Prior service cost	**343**	383	**–**	–
	$ 83,524	$ 85,307	**$ 252**	$ (689)

The actuarial loss (gain) and prior service cost included in unrestricted net assets at December 31, 2019, and expected to be recognized in net periodic benefit cost during the year ending December 31, 2020, for the retirement and health retirement benefit plans are approximately $2.9 million and $0.3 million, respectively.

Weighted-average assumptions used in determining the net periodic pension cost are as follows:

	Retirement Benefits		Health Retirement Benefits	
	2019	**2018**	**2019**	**2018**
Discount rate	**4.30%**	3.60%	**4.05%**	3.30%
Expected long-term rate of return on plan assets	**5.50%**	5.50%	**N/A**	N/A
Initial health care trend	**N/A**	N/A	**6.50%**	6.50%
Ultimate health care trend	**N/A**	N/A	**5.00%**	5.00%
Year in which ultimate care trend is reached	**N/A**	N/A	**2025**	2025

8. Pension and Similar Plans and Other Postretirement Benefit Plans (continued)

The assumed health care cost trend rate has a significant effect on the amounts reported for other postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	2019		**2018**	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
	(In Thousands)			
Effect on total of service and interest cost components	**$ 19**	**$ (17)**	$ 23	$ (21)
Effect on postretirement benefit obligation	**390**	**(352)**	479	(433)

The expected long-term rate of return on plan assets assumption was based on expected rates of return, plus inflation, less anticipated expense paid from the plan assets. The expected return rate selected was consistent with historical returns and target percentages for various asset classes and with the Non-union Plan's desired investment return objectives (in the context of a long-term inflation rate of 2.5%). The investment objective for the Non-union Plan is to achieve a targeted long-term rate of investment return that is approximately 4.75% (5.50% at December 31, 2018). SLR's target asset allocations are 17% in equity securities (which includes equities, mutual funds, and multi-strategy hedge funds), and 83% in debt securities (which includes fixed income and cash equivalents).

Expected benefit payments by year as of December 31, 2019, follows:

	Retirement Benefits	**Health Retirement Benefits**
	(In Thousands)	
2020	$ 11,232	$ 1,213
2021	11,506	1,250
2022	11,544	1,162
2023	11,607	1,041
2024	11,554	836
2025–2029	56,290	3,218

8. Pension and Similar Plans and Other Postretirement Benefit Plans (continued)

Multi-Employer Defined Benefit Plans

SLR also provides pension and similar benefits to its union employees through various multi-employer defined benefit plans. Approximately 79% of SLR's employees are covered by union plans. The total cost relating to multi-employer defined pension plans amounted to approximately $37.1 million and $33.9 million for the years ended December 31, 2019 and 2018, respectively.

SLR's contributions to the multi-employer defined benefit union plans and non-union defined contribution plans are generally based on gross salaries or fixed annual amounts per employee. It is SLR's policy to fund accrued costs under these plans on a current basis. SLR contributions to its multi-employer pension funds for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
	(In Thousands)	
1199 SEIU Health Care Employees Pension Fund (1199)[(a)]	**$ 21,570**	$ 19,176
New York State Nurses Association Pension Fund (NYSNA)[(b)]	**14,461**	13,598
1199 SEIU Health Care Employees Health & Welfare Fund[(c)]	**41,871**	40,073
New York State Nurses Association Health & Welfare Fund[(c)]	**25,495**	24,778
Other pension funds[(d)]	**1,118**	1,135
	$ 104,515	$ 98,760

[(a)] Represents less than 5% of total plan contributions, based on available Form 5500.

[(b)] Represents greater than 5% of total plan contributions, based on available Form 5500.

[(c)] This benefit fund provides medical benefits (health, dental, prescription, vision) for active employees and retirees. Eligibility for benefit coverage level and type is dependent upon their status as an active employee or retiree.

[(d)] Consists of four pension funds in which SLR's participation is individually and in the aggregate insignificant.

8. Pension and Similar Plans and Other Postretirement Benefit Plans (continued)

The following table includes additional disclosure information related to the 1199 SEIU Health Care Employees Pension Fund and NYSNA Pension Fund.

EIN/Pension Plan Number	Pension Protection Act Zone Status[a] 2019	Pension Protection Act Zone Status[a] 2018	FIP/RP[b] Status Pending	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
13-3604862/001 (1199)	**Green as of 1/1/2019**	Green as of 1/1/2018	N/A	No	9/30/21
13-6604799/001 (NYSNA)	**Green as of 1/1/2019**	Green as of 1/1/2018	N/A	No	12/31/22

[a] A zone status rating of green indicates the plan is at least 80% funded.

[b] Funding improvement plan (FIP) or rehabilitation plan (RP).

At the date SLR's consolidated financial statements were issued, Form 5500 was not available for the NYSNA or 1199 SEIU Health Care Employees Pension Funds for the year ended in 2019.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions that are perpetual in nature represent endowment assets that have been restricted by donors to be maintained in perpetuity and invested by SLR. SLR follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its endowment assets.

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

9. Net Assets With Donor Restrictions (continued)

making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of SLR and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution; (6) the expected total return from income and the appreciation of investments; (7) other resources of SLR; and (8) the investment and spending policies of SLR. SLR's policies provide the guidelines for setting the annual spending rate (4.5%) and the treatment of any investment returns in excess of the annual spending rate. The endowment spend rate is calculated on the average three-year rolling market value of each endowed fund. Any excess investment returns beyond the spending rate, to the extent available, are added to with donor restrictions and classified appropriately.

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

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

9. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions that are temporary in nature are available to support program activities as stipulated by donors. Net assets with donor restrictions that are perpetual in nature are restricted to investment in perpetuity with the income expendable to support program activities as stipulated by donors. Net assets with donor restrictions that are temporary in nature are restricted as follows at December 31:

	2019	2018
	(In Thousands)	
Education	**$ 1,390**	$ 2,268
Equipment and construction	**22,837**	21,201
Research	**1,917**	1,628
Program improvements	**9,569**	5,244
Other	**17,210**	11,429
	$ 52,923	$ 41,770

Net assets with donor restrictions that are perpetual in nature are restricted as follows at December 31:

	2019	2018
	(In Thousands)	
Investments to be held in perpetuity, the income from which is unrestricted	**$ 38,818**	$ 38,818
Investments to be held in perpetuity, the income from which is temporarily restricted for:		
Research	**5,132**	5,132
Education	**3,535**	3,533
Equipment and construction	**3,541**	3,541
Program improvements	**8,718**	8,719
	$ 59,744	$ 59,743

Investments to be held in perpetuity are included in pooled investments, other assets and assets limited as to use in the accompanying consolidated statements of financial position.

9. Net Assets With Donor Restrictions (continued)

For the years ended December 31, 2019 and 2018, net assets were released from restrictions by incurring expenses and satisfying the restricted purposes of health education and program improvement and research in the amount of approximately $3.4 million and $4.6 million, respectively.

10. Functional Expenses

SLR provides healthcare and other services to residents within its geographical location. Expenses related to providing these services for the years ended December 31, 2019 and 2018, are as follows:

	2019			2018		
	Health Care and Related Services	Program Support and General Services	Total	Health Care and Related Services	Program Support and General Services	Total
	(In Thousands)					
Salaries and wages	**$ 459,069**	**$ 77,705**	**$ 536,774**	$ 451,599	$ 67,931	$ 519,530
Employee benefits	**153,898**	**16,566**	**170,464**	150,381	16,339	166,720
Supplies and other	**542,006**	**3,587**	**545,593**	497,262	3,954	501,216
Depreciation and amortization	**80,121**	**–**	**80,121**	68,426	–	68,426
Interest and amortization	**17,436**	**–**	**17,436**	14,863	–	14,863
	$ 1,252,530	**$ 97,858**	**$ 1,350,388**	$ 1,182,531	$ 88,224	$ 1,270,755

The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated to a function based units of service basis or are otherwise allocated based on revenue.

11. Related Organizations

SLR has various transactions with other related organizations of MSHS. The following table summarizes amounts due to related organizations at December 31:

		2019		2018
		(In Thousands)		
BIMC, net intercompany transactions[a]	**$**	**(24,294)**	$	(25,536)
BIMC loan[a]		**(262)**		(448)
MSH, net intercompany transactions[b]		**(142,509)**		(73,538)
MSH loan[b]		**(167,027)**		(103,518)
ISMMS, net intercompany transactions[c]		**(20,087)**		(24,214)
MSMC Residential Realty LLC		**–**		(1,513)
		(354,179)		(228,767)
Less: current portion		**77,152**		100,249
	$	**(277,027)**	$	(128,518)

[a] Net transactions charged (at cost) between SLR and BIMC for payroll and benefits charges and various other shared services totaled approximately $24.3 million and $49.3 million during the years ended December 31, 2019 and 2018, respectively.

In April 2011, SLR entered into a $1.6 million loan agreement with BIMC to finance capital improvements. The loan has a ten-year term and bears interest at 5.0% per annum. Principal and interest payments are due monthly.

[b] Transactions charged (at cost) by MSH to SLR, totaled approximately $91.0 million and $78.3 million during the years ended December 31, 2019 and 2018, respectively. Included in the charges are certain employee health plan claims and premiums, which are paid by MSH and, subsequently, charged to SLR. SLR has entered into a promissory note agreement with MSH for up to $200 million to fund various capital projects, with interest-only payments until July 1, 2030. The loan balance of $167.0 million and $103.5 million in 2019 and 2018, respectively, is included in due to related organizations, less current portion in the accompanying consolidated statements of financial position.

[c] SLR purchases professional services from ISMMS for the clinical care of its patients, teaching and supervision of its residents, the performance of certain administrative functions, and various strategic initiatives. Transactions charged (at cost) by ISMMS to SLR totaled approximately $55.9 million and $61.4 million during the years ended December 31, 2019 and 2018, respectively.

11. Related Organizations (continued)

SLR has an agreement with A&J (the Management Agreement) and conducts various transactions with A&J. These transactions include payroll and benefits charges and various other shared services. Among the requirements included in the Management Agreement, SLR, acting as agent, shall collect all rents on A&J's behalf and from these amounts collected, pay operating expenses incurred in the management and maintenance of the premises. To the extent rents are insufficient to meet these operating expenses, any required capital expenditures, or any indebtedness obligations under the mortgage loan (see Note 5), SLR shall pay such costs or an indemnity fee to A&J from its own resources. For these services, SLR shall be paid a management fee which shall be the equivalent of the excess of rents collected over operating expenses incurred, up to an amount not to exceed 2% of rents collected. Management fees paid under this agreement are considered to be operating expenses of A&J in the operation of the premises. SLR charged management fees of approximately $271,000 and $293,000 to A&J for the years ended December 31, 2019 and 2018, respectively.

SLR has a management agreement and various transactions with BIMC and the 59th St. Condominium. These transactions include payroll and benefits charges and various other shared services. Among other requirements included in the management agreement, BIMC, acting as agent, shall collect all rents on the 59th St. Condominium's behalf and out of these amounts collected, pay operating expenses incurred in the management and maintenance of the premises. For these services, BIMC shall be paid a management fee of 1.25% of gross rental income received by the 59th St. Condominium. Management fees paid under this agreement are considered to be operating expenses of the 59th St. Condominium in the operation of the premises. The management fees charged by BIMC to the 59th St. Condominium were approximately $121,000 and $107,000 for the years ended December 31, 2019 and 2018, respectively. Approximately 91% of the leasable space is rented by SLR (which also approximates 98% of total rental income for the 59th St. Condominium).

As discussed in Note 5 and in accordance with the mortgage loan agreement, approximately $8.0 million of proceeds received from this financing was transferred to SLR. The balance fluctuates based on transactions between SLR and the 59th St. Condominium. During 2019 and 2018, the 59th St. Condominium has continued to provide financing funding to SLR. A portion of the financing has been repaid by SLR through various services provided to the 59th St. Condominium. The balance at December 31, 2019 and 2018 is approximately $20.6 million and $17.8 million, respectively. This amount carries no specific repayment terms, does not bear any interest and is eliminated upon consolidation.

11. Related Organizations (continued)

Transfers from Affiliates

MSH transferred $25.0 million to SLR for EPIC funding in 2018. No such transfers were made in 2019.

12. Commitments and Contingencies

Litigation

SLR is a defendant in various legal actions arising out of the normal course of its operations. The ultimate outcome of these cases cannot be predicted at this time. Management does not believe that the ultimate outcome of these matters will have a material adverse effect on SLR's consolidated financial position.

Collective Bargaining Agreements

Approximately 79% of SLR's employees are union employees who are covered under the terms of various collective bargaining agreements. The 1199 contract will expire on September 30, 2021. SLR's contract with NYSNA will expire on December 31, 2022.

Other

SLR is self-insured, based on individual employees' elections, for medical, dental, and pharmaceutical benefits. SLR also is self-insured for unemployment benefits. Liabilities have been accrued at December 31, 2019 and 2018, based on expected future payments pertaining to such years (included in accrued salaries and related liabilities in the accompanying consolidated statements of financial position).

13. Fair Values of Financial Instruments

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

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

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

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

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

Financial assets carried at fair value by SLR as of December 31, 2019, are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Cash and cash equivalents	$ 130,711	$ –	$ –	$ 130,711
Fixed income	95,711	–	–	95,711
	$ 226,422	$ –	$ –	226,422
Investments measured at NAV as a practical expedient:				
Pooled investments				48,363
				$ 274,785

13. Fair Values of Financial Instruments (continued)

Financial assets carried at fair value by SLR as of December 31, 2018, are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Cash and cash equivalents	$ 78,204	$ –	$ –	$ 78,204
Fixed income	93,071	–	–	93,071
	$ 171,275	$ –	$ –	171,275
Investments measured at NAV as a practical expedient:				
Pooled investments				42,976
				$ 214,251

The tables above exclude investments held by the captive insurance companies and investments held with Self-Insurance Trust (see Note 1 and Note 7).

The following is a summary of total investments (by major category) in the investment pool with restrictions to redeem the investments at the measurement date, any unfunded capital commitments, and investment strategies of the investees as of December 31, 2019:

Description of Investment	Carrying Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Funds Availability
Hedge funds:					
Long-only equity	$ 315,111	$ –	Monthly/5 years	30 to 90 days	3 to 30 days
Hedged equity	339,801	–	Monthly/3 years	30 to 90 days	30 to 45 days
Long/short credit	58,749	–	Monthly	30 days	180 days
Open mandate	296,325	–	Quarterly/Annual	60 to 90 days	30 days
Macro	105,610	–	Quarterly /Semiannually	45 to 90 days	30 days
Private investments:					
Equity	105,763	114,409	N/A	N/A	N/A
Credit/distressed	62,827	28,124	N/A	N/A	N/A
Real assets	233,203	51,514	N/A	N/A	N/A
	$ 1,517,389	$ 194,047			

13. Fair Values of Financial Instruments (continued)

Defined Benefit Plan Assets

The fair values of plan assets and fair value hierarchy at December 31 are as follows:

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash and cash equivalents	**$ 2,201**	**$ –**	**$ –**	**$ 2,201**
Equities	**1,893**	**–**	**–**	**1,893**
Fixed income	**123,376**	**–**	**–**	**123,376**
Mutual funds	**9,002**	**6,478**	**–**	**15,480**
	$ 136,472	**$ 6,478**	**$ –**	**142,950**
Investments measured at NAV as a practical expedient:				
Multi-strategy hedge funds				**9,938**
				$ 152,888

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash and cash equivalents	$ 2,362	$ –	$ –	$ 2,362
Equities	1,496	–	–	1,496
Fixed income	104,627	–	–	104,627
Mutual funds	7,359	4,929	–	12,288
	$ 115,844	$ 4,929	$ –	120,773
Investments measured at NAV as a practical expedient:				
Multi-strategy hedge funds				9,087
				$ 129,860

14. Other Revenue

Other revenue includes operating revenues that are not directly related to SLR's patient services. Major items included in other revenue are revenues derived from outreach pharmacy activities of $79.8 million in 2019 and $74.9 million in 2018, grants and contracts revenue of $10.2 million in 2019 and $13.2 million in 2018, rental income of $12.2 million in 2019 and $13.2 million in 2018, captive distributions of $282,000 in 2019 and $8.1 million in 2018 and distributions from Healthfirst of $9.4 million for both years 2019 and 2018.

15. Liquidity and Available Resources

Financial assets available for general expenditure within one year at December 31, consist of the following:

	2019	2018
	(In Thousands)	
Cash and cash equivalents	**$ 114,486**	$ 51,749
Patient accounts receivable, net	**136,383**	123,820
Assets limited as to use – internally designated	**58,589**	62,792
	$ 309,458	$ 238,361

SLR has certain internally designated assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. SLR has other assets limited as to use for donor-restricted purposes and debt service. These assets limited as to use, which are more fully described in Note 3 are not available for general expenditure within the next year and are not reflected in the amounts above.

As of December 31, 2019, SLR was in compliance with debt covenants; see Note 5.

16. Subsequent Events

For purposes of the accompanying consolidated financial statements, SLR has considered for accounting and disclosure events that occurred through March 31, 2020, the date the consolidated financial statements were issued. Except for disclosure below, there were no other subsequent events transactions that resulted in recognition in the accompanying consolidated financial statements or required additional disclosure.

16. Subsequent Events (continued)

Due to the global viral outbreak caused by Coronavirus Disease 2019 (COVID-19) in 2020, there have been resulting effects which could negatively impact SLR's financial condition. The ultimate impact of these matters to SLR and its financial condition is presently unknown. The accompanying consolidated financial statements do not reflect the effects of these subsequent events.

Supplementary Information and Audit Reports and Schedules Related to the Uniform Guidance

The St. Luke's-Roosevelt Hospital Center and Affiliates

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

Federal Department Program Title/Pass-Through Entity	CFDA Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Department of Agriculture						
WIC Special Supplemental Nutrition Program for Women, Infants, and Children						
Pass-through program from New York State Department of Health WIC Program – Administration	10.557	DOH01-C30394GG-3450000	$ –	$ 665,027	$ 665,027	$ –
Pass-through program from New York State Department of Health WIC Program – Food instruments	10.557	DOH01-C30394GG-3450000	–	968,314	968,314	–
Total Special Supplemental Nutrition Program for Women, Infants, and Children			–	1,633,341	1,633,341	–
Total Department of Agriculture			–	1,633,341	1,633,341	–
Department of Housing and Urban Development						
Mortgage Insurance: Hospitals	14.128		–	194,971,693	194,971,693	–
Total Department of Housing and Urban Development			–	194,971,693	194,971,693	–
Department of Health and Human Services						
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		–	904,680	904,680	–
Substance Abuse and Mental Health Services: Projects of Regional National Significance	93.243		–	88,696	88,696	–
HIV Emergency Relief Project Grants						
Pass-through Public Health Solutions (MHRA)	93.914	09-MCM-175	–	17,756	17,756	–
Pass-through Public Health Solutions (MHRA)	93.914	11-FNS-175	–	26,171	26,171	–
Pass-through Public Health Solutions (MHRA)	93.914	18-CCR-175	–	1,291,729	1,291,729	–
Total HIV Emergency Relief Project Grants			–	1,335,656	1,335,656	–
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		–	1,239,282	1,239,282	–
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924		–	393,771	393,771	–
HIV Prevention Activities Health Department Based						
Pass-through Public Health Solutions	93.940	11-HTR-175	–	16,486	16,486	–
Special Projects of National Significance						
Pass-Through Public Health Solutions	93.928	18-SCD-175	–	10,000	10,000	–
Maternal and Child Health Services Block Grant to the States						

The St. Luke's-Roosevelt Hospital Center and Affiliates

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2019

Federal Department Program Title/Pass-Through Entity/Project Name	CFDA Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Expenditures	Total Expenditures	Expenditures to Subrecipients
Department of Health and Human Services (continued)						
Improving Linkage and Access to HCV Care and Treatment						
Pass-Through NY State Department of Health via Health Research Incorporated	93.RD	5039-04	$ 29,327	$ –	$ 29,327	$ –
Pass-Through NY State Department of Health via Health Research Incorporated	93.RD	5039-05	103,154	–	103,154	–
Total Department of Health and Human Services			132,481	3,988,571	4,121,052	–
Total Expenditures of Federal Awards			$ 132,481	$ 200,593,605	$ 200,726,086	$ –

The accompanying notes are an integral part of this schedule of expenditures of federal awards.

The St. Luke's-Roosevelt Hospital Center and Affiliates

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 grant activity of St. Luke's-Roosevelt Hospital Center and Affiliates (SLR) and is presented on the accrual basis of accounting. The information on the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements of SLR. For purposes of the Schedule, federal awards include any assistance provided by a federal agency either directly or indirectly in the form of grants, contracts, cooperative agreements, direct appropriations, loan and loan guarantees, or other non-cash assistance.

Direct and indirect costs are charged to awards in accordance with cost principles contained in the United States Department of Health and Human Services *Cost Principles for Hospitals* at 45 CFR Part 75 Appendix IX for awards subject to the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The Uniform Guidance provides for a 10% de minimis indirect cost rate election; however, SLR did not make this election and uses a negotiated indirect cost rate.

2. Food and Nutrition Awards

During the year ended December 31, 2019, SLR participated in the New York State Department of Health, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) through the receipt and distribution of food checks. The United States Department of Agriculture has determined that such WIC food instruments are considered "property in lieu of money" and, therefore, should be considered part of the subgrant received by SLR.

2. Food and Nutrition Awards (continued)

The total amount reported as federal awards on the Schedule represents the value of food vouchers redeemed in the amount of $968,314 plus administrative costs of $665,027 for the year ended December 31, 2019. As New York State funds are commingled with federal funds, percentages were applied to determine the total amount of federal funds to be reported above. These percentages were supplied by the New York State Department of Health as follows:

	Federal Percentage
Administrative costs	96.9%
Food costs	100.0

3. U.S. Department of Housing and Urban development Mortgage Insurance: Hospitals Program

SLR has a mortgage insured under the provisions of the U.S. Department of Housing and Urban Development–Federal Housing Administration Section 223 Mortgage Insurance Program pursuant to Section 242 of the National Housing Act. At December 31, 2019, the outstanding balance of the loan totaled approximately $180,876,000. The U.S. Department of Housing and Urban Development has determined that the mortgage insurance program is to be considered a federal award for purposes of compliance with the Uniform Guidance.

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Report of Independent Auditors 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 Management and the Board of Trustees
Mount Sinai Health System, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The St. Luke's-Roosevelt Hospital Center and Affiliates (SLR), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SLR's 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of SLR's internal control. Accordingly, we do not express an opinion on the effectiveness of SLR's 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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether SLR's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

March 31, 2020

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Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Management and the Board of Trustees
Mount Sinai Health System, Inc.

Report on Compliance for Each Major Federal Program

We have audited The St. Luke's-Roosevelt' Hospital Center and Affiliates' (SLR) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of SLR's major federal programs for the year ended December 31, 2019. SLR's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SLR'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; 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 SLR'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 SLR's compliance.

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Opinion on Each Major Federal Program

In our opinion, SLR 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 SLR 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 SLR'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 SLR'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.

Ernst & Young LLP

September 30, 2020

The St. Luke's-Roosevelt Hospital Center and Affiliates

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified, with an emphasis-of-matter paragraph for change in accounting
Internal control over financial reporting:	
Material weakness(es) identified?	____ **Yes** __X__ **No**
Significant deficiency(ies) identified?	____ **Yes** __X__ **None reported**
Noncompliance material to financial statements noted?	____ **Yes** __X__ **No**

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	____ **Yes** __X__ **No**
Significant deficiency(ies) identified?	____ **Yes** __X__ **None reported**
Type of auditor's report issued on compliance for major federal programs:	Unmodified for each
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ **Yes** __X__ **No**

Identification of major federal programs:

CFDA Numbers	**Name of Federal Program or Cluster**
93.914	HIV Emergency Relief Project Grants
14.128	Mortgage Insurance: Hospitals

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	__X__ **Yes** ____ **No**

Section II – Financial Statement Findings

There are no matters that are required to be reported.

Section III – Federal Award Findings and Questioned Costs

There are no matters that are required to be reported.