ST. JOHN'S RIVERSIDE HOSPITAL AND SUBSIDIARY

Consolidated Financial Statements and Supplementary Information on Federal Awards Programs

December 31, 2019

(With Independent Auditors' Report and Reports on Internal Control and Compliance Thereon)

ST. JOHN’S RIVERSIDE HOSPITAL AND SUBSIDIARY

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

To the Board of Trustees
St. John's Riverside Hospital and Subsidiary:

We have audited the accompanying consolidated financial statements of St. John's Riverside Hospital and Subsidiary (the Hospital), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors' 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 St. John's Riverside Hospital as of December 31, 2019 and 2018 and the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

Other Reporting Required by *Government Auditing Standards*

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

KPMG LLP

November 30, 2020

ST. JOHN'S RIVERSIDE HOSPITAL AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2019 and 2018

(Dollars in thousands)

Assets		**2019**	**2018**
Current assets:			
Cash and cash equivalents	$	6,061	2,986
Investments		—	2,142
Patients' accounts receivable, net		24,164	24,435
Assets limited or restricted as to use		402	369
Due from affiliates		538	575
Due from third-party payors		10,389	10,695
Other current assets		9,850	9,644
Total current assets		51,404	50,846
Assets limited or restricted as to use, net of current portion		8,981	8,947
Property, plant, and equipment, net		40,626	42,851
Other noncurrent assets, net		9,856	10,424
Total assets	$	110,867	113,068
Liabilities and Net Deficit			
Current liabilities:			
Current portion of long-term debt	$	1,995	1,897
Accounts payable and accrued expenses		43,061	37,596
Accrued salaries and wages payable		10,266	9,587
Current portion of accrued retirement benefits		419	375
Due to affiliate – captive		3,403	2,060
Due to third-party payors		4,509	423
Current portion of other liabilities		4,599	4,729
Total current liabilities		68,252	56,667
Long-term debt, net of current portion		19,843	21,053
Accrued retirement benefits, net of current portion		92,464	83,096
Other liabilities, net of current portion		14,907	16,174
Total liabilities		195,466	176,990
Commitments and contingencies			
Net assets (deficit):			
Without donor restrictions		(88,954)	(68,383)
With donor restrictions		4,355	4,461
Total net deficit		(84,599)	(63,922)
Total liabilities and net deficit	$	110,867	113,068

See accompanying notes to consolidated financial statements.

ST. JOHN'S RIVERSIDE HOSPITAL AND SUBSIDIARY

Consolidated Statements of Operations

Years ended December 31, 2019 and 2018

(Dollars in thousands)

		2019	2018
Net deficit without donor restrictions:			
Revenue, gains, and other support:			
Net patient service revenue	$	239,862	239,833
Other revenue		33,245	14,898
Investment income, net		374	523
Net assets released from restrictions for operations		795	699
Total operating revenue, gains, and other support		274,276	255,953
Operating Expenses:			
Salaries and wages		124,633	123,591
Employee benefits		46,826	45,382
Supplies and other		100,462	96,137
Interest		1,895	2,218
Depreciation and amortization		9,135	10,297
Total operating expenses		282,951	277,625
Loss from operations		(8,675)	(21,672)
Nonoperating expenses:			
Net periodic pension costs other than service cost		3,924	4,240
Deficiency of revenue, gains, and other support over expenses		(12,599)	(25,912)
Other changes in net deficit without donor restrictions:			
Pension and postretirement related changes other than net periodic benefit cost		(8,053)	10,139
Net assets released from restrictions used for purchases of property, plant, and equipment		81	538
Transfer from affiliate – RHCS		—	200
Change in net deficit without donor restrictions	$	(20,571)	(15,035)

See accompanying notes to consolidated financial statements.

ST. JOHN'S RIVERSIDE HOSPITAL AND SUBSIDIARY

Consolidated Statements of Changes in Net Deficit

Years ended December 31, 2019 and 2018

(Dollars in thousands)

		Net assets (deficit)		
		Without donor restrictions	With donor restrictions	Total
Balances at December 31, 2017	$	(53,348)	4,445	(48,903)
Deficiency of revenue, gains, and other support over expenses		(25,912)	—	(25,912)
Gifts, grants, bequests, and contributions		—	1,253	1,253
Net assets released from restrictions used for operations		—	(699)	(699)
Net assets released from restrictions used for purchases of property, plant, and equipment		538	(538)	—
Pension and postretirement related changes other than net periodic benefit cost		10,139	—	10,139
Transfer from affiliate – RHCS		200	—	200
Total changes in net deficit		(15,035)	16	(15,019)
Balances at December 31, 2018		(68,383)	4,461	(63,922)
Deficiency of revenue, gains, and other support over expenses		(12,599)	—	(12,599)
Gifts, grants, bequests, and contributions		—	770	770
Net assets released from restrictions used for operations		—	(795)	(795)
Net assets released from restrictions used for purchases of property, plant, and equipment		81	(81)	—
Pension and postretirement related changes other than net periodic benefit cost		(8,053)	—	(8,053)
Total changes in net deficit		(20,571)	(106)	(20,677)
Balances at December 31, 2019	$	(88,954)	4,355	(84,599)

See accompanying notes to consolidated financial statements.

ST. JOHN'S RIVERSIDE HOSPITAL AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

(Dollars in thousands)

		2019	2018
Cash flows from operating activities:			
Change in net deficit	$	(20,677)	(15,019)
Adjustments to reconcile change in net deficit to net cash used in operating activities:			
Depreciation and amortization		9,135	10,297
Accretion of asset retirement obligation		25	46
Net realized and unrealized gains on investments		(113)	(166)
Pension and postretirement related changes other than net periodic benefit cost		8,053	(10,139)
Transfer from affiliate – RHCS		—	(200)
Restricted contributions for purchases of property, plant and equipment		(81)	(538)
Changes in operating assets and liabilities:			
Patients' accounts receivable		271	(366)
Other current and noncurrent assets		362	(643)
Accounts payable and accrued expenses		3,465	9,703
Accrued salaries, wages payable, and accrued retirement benefits		2,038	2,732
Due to/from third-party payors		309	(2,755)
Due to affiliate – captive		1,343	1,515
Other current and noncurrent liabilities		(1,422)	319
Net cash provided by (used in) operating activities		2,708	(5,214)
Cash flows from investing activities:			
Acquisitions of property, plant, and equipment		(6,122)	(7,149)
Purchases of assets limited or restricted as to use and investments		(161)	(284)
Sales of assets limited or restricted as to use and investments		2,349	15,445
Net cash (used in) provided by investing activities		(3,934)	8,012
Cash flows from financing activities:			
Proceeds from pledges		—	4
Proceeds from affiliates		38	31
Repayment of long-term debt		(1,901)	(2,090)
Proceeds from line of credit		2,000	—
Proceeds from loans from Dormitory Authority of the State of New York		4,083	—
Proceeds from restricted contributions for purchases of property, plant and equipment		81	538
Transfer from affiliate – RHCS		—	200
Net cash provided by (used in) financing activities		4,301	(1,317)
Net increase in cash and cash equivalents		3,075	1,481
Cash and cash equivalents at beginning of year		2,986	1,505
Cash and cash equivalents at end of year	$	6,061	2,986
Supplemental information:			
Interest paid	$	1,860	1,915
Capital lease obligations incurred		789	—

See accompanying notes to consolidated financial statements.

(1) Organization

St. John's Riverside Hospital (the Hospital), located in Yonkers, New York, is a membership corporation organized under the not-for-profit corporation laws of the State of New York. The sole member of the Hospital is Riverside Health Care System, Inc. (RHCS), a State of New York not-for-profit corporation. The Hospital operates three campuses: Andrus Pavilion, which provides general acute care with a full range of inpatient and outpatient services; Dobbs Ferry Pavilion, which operates an emergency room, 12 inpatient beds, 5 operating rooms, and breast cancer center services; and ParkCare Pavilion, which serves an inner-city population providing alcohol and substance abuse services.

The Hospital and RHCS are exempt from federal, state, and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code).

SJR Medical P.C. is a for-profit organization that provides medical services. SJR Medical P.C. is controlled by the Hospital and, therefore, is included in the consolidated financial statements.

RHCS is the sole member of River Management Co., Inc., which is the sole shareholder of Riverside Management Services Organization, Inc. (RMSO). RMSO is not controlled by the Hospital and, therefore, is not included in the consolidated financial statements. These entities were incorporated under the New York Corporation Laws.

RHCS is the sole member of RHCS Bermuda Ltd. (the Captive), an affiliated captive insurance company incorporated under the laws of Bermuda. The Captive is not controlled by the Hospital and, therefore, is not included in the consolidated financial statements.

The Hospital continues to take steps to stabilize the Hospital's operational and financial issues, including implementing strategic initiatives to increase inpatient and outpatient surgical volume, expand outpatient services and the physician medical education residency programs and cost savings measures in addition to ongoing assessments of potential affiliations. On August 13, 2018, the Hospital's Board of Trustees had approved a resolution to begin exclusive negotiations to join the Montefiore Health System. The Hospital has completed their due diligence process and negotiations are ongoing relating to their intent to join the Montefiore Health System. In addition, the Hospital has explored and established additional funding arrangements which include funds from the State of New York's Value Based Payment Quality Improvement Program and Statewide Health Care Facility Program in order to provide the Hospital with the necessary resources in order to operate, which is further discussed in Notes 6 and 7.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements which include the financial statements of the Hospital and SJR Medical P.C., have been prepared on the accrual basis of accounting and are in conformity with U.S. generally accepted accounting principles. All significant intercompany balances and transactions have been eliminated in preparation of the consolidated financial statements.

(b) 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents include certain liquid investments with original maturities of three months or less (note 16).

(d) Fair Value Measurement

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement,* established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

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

Cash equivalents: Cash equivalents such as money market funds and certificate of deposits are valued at $1.00 per unit as reported by the financial institution.

Equity securities: The Hospital's equity portfolios consist of direct investment in individual equity securities. Equity securities are valued based on quoted market prices (Level 1 measurements).

Pooled/commingled funds: The Hospital invests in pooled/commingled investment funds where it owns shares, units, or interests of pooled equity and fixed income funds rather than the underlying securities in the fund. The pooled/commingled funds are measured at fair value based on the nature of the underlying investments, timing of the pricing of the funds' NAV, and liquidity and redemption restrictions for the funds (Level 2 measurements).

(Continued)

Alternative investments – As a practical expedient to fair value, alternative investments are measured at their net asset value (NAV) or equivalent provided by the fund manager. The value is reviewed and evaluated by management. The reported value may differ significantly from the values that would have been used had a ready market for these investments exist. Alternative investments measured at NAV are not categorized within the fair value hierarchy.

The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risk associated with investing in those investments. The Hospital's investments are exposed to various kinds and levels of risk. Equity securities, including U.S. and international equity, expose the Hospital to financial market risk. Fixed income securities, including fixed income mutual funds and exchange-traded funds, expose the Hospital to interest rate risk, credit risk, and liquidity risk. As interest rates change, the values of many fixed income securities are affected, particularly those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities. The Hospital's investments in various alternative investments are also exposed to business execution risk as certain alternative investments are in early stage companies who may not be successful in executing on their proposed business plans.

(e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities classified as trading are measured at fair value in the accompanying consolidated balance sheets (note 4).

(f) Investment Income, net

Investment income, net (including, dividends, interest, realized and unrealized gains and losses on investments and investment expenses) is reflected within the caption "investment income, net" in the accompanying consolidated statements of operations unless the income or loss is restricted by donor or law.

(g) Assets Limited or Restricted as to Use

Assets limited or restricted as to use consist of funds externally restricted under mortgage agreements and letters of credit, funds whose use has been limited by donors to a specific period or purpose, or donor stipulations that assets be maintained in perpetuity (note 4).

(h) Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value, and are included in other current assets.

(i) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost (or, if acquired by gift, at fair market value at the date of the gift), net of accumulated depreciation. Depreciation of plant and equipment is computed under the straight-line method over each class of depreciable assets' estimated useful service lives (ranging from 3 to 40 years). Equipment under capital leases is amortized utilizing the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

Leases are classified as capital leases or operating leases, in accordance with the terms of the underlying lease agreements. Equipment under capital leases is recorded as assets and the related obligations as liabilities at the lower of fair value of the equipment or the present value of future minimum lease payments. Lease payments under operating leases are charged departmentally to rental expense, which is included in supplies and other expenses.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Interest earned on the investment of related tax-exempt borrowings is offset against the interest costs capitalized.

Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions and are excluded from the deficiency of revenue, gains, and other support over expenses in the consolidated statements of operations, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(j) Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected within one year are reported at face value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated cash flows and recorded in other assets. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are expected to be received. Amortization of the discounts is included in net assets with donor restrictions.

(Continued)

(Dollars in thousands)

(k) Patients' Accounts Receivable

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The percentages of patient accounts receivables by primary payor (before reserve for implicit price concessions) from patients and third-party payors were as follows:

	December 31	
	2019	**2018**
Medicare	29 %	30 %
Medicaid	26	26
Managed care and other insurers	23	23
Uninsured patients	20	18
Other	2	3
	100 %	100 %

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

The Hospital regularly reviews its past collection history and payment trends for each of its major payor sources of patient service revenue to estimate the appropriate reserves. For patient accounts receivable associated with uninsured patients, which includes those patients without insurance coverage and patients with deductibles and copayment balances for which third-party coverage exists for a portion of the bill, the Hospital records a significant implicit price concession for patients that are unable or unwilling to pay for the portion of the bill representing their financial responsibility. Account balances are charged off against the reserve accounts after all means of collection have been exhausted.

(l) Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Hospital 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 for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied (that is, as patient care is provided).

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospital receiving inpatient acute care services or patients receiving services in outpatient centers. The Hospital measures the performance obligation from admission into the hospital, 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 completion of the outpatient services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in FASB ASC 606 to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at year end. The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient acute care services at year end. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of year end.

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions on uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions and applies the portfolio approach. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. There was no bad debt expense for the years ended December 31, 2019 or 2018.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with this class of patients.

(Continued)

(Dollars in thousands)

The Hospital has elected the financing component practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Hospital's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Hospital does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Hospital has determined that the nature, amount, timing and uncertainty of net patient service revenue and cashflows are affected by payors and service lines. The composition of net patient service revenue based on service line and primary payor for the years ended December 31 are as follows:

	2019					
	Medicare	Medicaid	Managed care	Uninsured patient	Other	Total
Services lines:						
Hospital-inpatient	$ 71,038	52,590	27,193	980	1,711	153,512
Hospital-outpatient	20,163	20,360	40,091	3,959	1,777	86,350
	$ 91,201	72,950	67,284	4,939	3,488	239,862

	2018					
	Medicare	Medicaid	Managed care	Uninsured patient	Other	Total
Services lines:						
Hospital-inpatient	$ 70,204	54,473	26,553	1,067	1,718	154,015
Hospital-outpatient	19,386	23,479	37,679	3,753	1,521	85,818
	$ 89,590	77,952	64,232	4,820	3,239	239,833

(Dollars in thousands)

(m) Charity Care and Uncompensated Care

The Hospital, in keeping with its mission and philosophy to extend quality care and compassionate service, recognizes that some patients are unable to compensate the Hospital for their treatment through either third-party coverage or their own resources. Accordingly, the Hospital extends charity or free care to those patients who do not have the ability to meet their obligations. The Hospital provides free care or sliding-fee scales based on federal poverty income guidelines or when it is determined that the patients are unable to fulfill their obligations to the Hospital. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of uncompensated care, at estimated cost, provided to the indigent and broader community for the years ended December 31 is as follows:

		2019	2018
Cost of charity care and uncompensated care:			
Cost of charity care provided	$	781	812
Other uncompensated care at estimated cost		5,030	5,285

The Hospital utilizes a cost to charge ratio methodology to convert charity care to estimated cost. The cost to charge ratio is calculated utilizing the methodology employed on the Medicare cost report.

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the Hospital based on their level of bad debt, charity care, and uninsured units of service in relation to all other New York State hospitals. For the years ended December 31, 2019 and 2018, the Hospital received distributions of $5,463 and $5,744, respectively, from the indigent care pool which is recorded in net patient service revenue while contributing $2,814 in 2019 and $2,888 in 2018 which is recorded in supplies and other expense.

(n) Classification of Net Assets (Deficit)

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the Board of Trustees which are classified as board-designated, are not considered to be donor restricted (see note 4). Net assets with donor restrictions represent funds, including contributions and accumulated investment returns, whose use has been restricted by donors to a specific period or purpose or that have been restricted by donors to be maintained in perpetuity to provide a permanent source of income. Generally, the donors of these donor restricted assets to be maintained in perpetuity permit the use of part of the income earned on related investments for specific purposes.

(Dollars in thousands)

Net assets with donor restrictions are available for the following purposes:

		2019	2018
Property and equipment	$	1,002	1,002
Healthcare services		653	759
Health education		570	570
Perpetual in nature		2,130	2,130
	$	4,355	4,461

During the years ended December 31, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of healthcare services, health education, and capital in the amounts of $876 and $1,237, respectively.

(o) Consolidated Statements of Operations

The consolidated statements of operations include the deficiency of revenue, gains, and other support over expenses, which represents the performance indicator. Changes in net assets (deficit) without donor restrictions, which are excluded from the deficiency of revenue, gains, and other support over expenses, consistent with industry practice, includes net assets released from restrictions used for purchases of property, plant, and equipment, pension and postretirement related changes other than net periodic benefit cost, and equity transfers from (to) affiliate-RHCS.

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare coverage and services are reported as operating revenue and expenses in the determination of the Hospital's operating results in the accompanying consolidated statements of operations and changes in net assets. Peripheral transactions, including net periodic pension costs other than service cost, are reported as nonoperating income.

(p) Impairment of Long-Lived Assets

Management reviews long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charge was recorded during the years ended December 31, 2019 and 2018.

(Continued)

(q) Deferred Financing Costs

Deferred financing costs are reported as a direct reduction from the long-term debt liability in the accompanying consolidated balance sheets and represent costs incurred in connection with the issuance of long-term debt and are amortized on the effective-interest method, over the term of the related obligations.

(r) Other Revenue

Other operating revenue includes income from grants for operations, cafeteria revenue, rent revenue, physician billing revenue, nursing school student tuition, administrative support revenue and other miscellaneous revenue items. Grant related revenue is accounted for similar to contributions, which is, recognized when the relevant expenses are incurred. Physician billing revenue is recognized as the service is performed similar to net patient service revenue. For most of the remaining revenue, the performance obligations are satisfied over time as the service is provided.

(s) Conditional Asset Retirement Obligation

The Hospital recognizes a liability when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement are conditional on a future event that may or may not be under the control of the entity. The New York State Department of Labor Industrial Code Rule 56 requires the controlled removal or encapsulation of asbestos by a licensed contractor in commercial and public buildings, including renovation and partial or complete demolition activities.

The ARO liability is recorded in other liabilities and accreted through periodic charges to depreciation expense. The initially capitalized ARO long-lived asset cost is depreciated over the useful life of the related long-lived asset.

(t) Accounting for Uncertainty in Income Taxes

The Hospital is a not-for-profit corporation, generally exempt from federal income taxes under Sections 501(a) and 501(c)(3) of the Code. It is also generally exempt from state and local income taxes. There are certain transactions that could be deemed "Unrelated Business Income" and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not of being sustained. It is management's estimation that there are no material tax liabilities that need to be recorded as of December 31, 2019 and 2018.

H.R. 1, originally known as the Tax Cuts and Jobs Act (the Act), was signed into law on December 22, 2017. The Act contains various provisions affecting both for-profit and not-for-profit entities. Tax-exempt entities are impacted in part by the inclusion of a new excise tax on excess compensation for covered employees and changes to the calculation of unrelated business taxable income on a separate trade or business basis. The Act's provisions may also impact donor incentives for charitable giving. Management of the Hospital determined that there is no material impact on the consolidated financial statements as of December 31 2019 or 2018.

(u) Recently Adopted Accounting Standards

In March, 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 is intended to improve the presentation of net periodic pension and postretirement benefit costs by requiring that, among other things, that the service cost component be reported in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. Additionally, the other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside of income from operations. This ASU is effective for entities that are not public business entities, such as the Hospital, for fiscal years beginning after December 15, 2018 and requires retrospective application of the presentation of the service cost component and other components of net benefit costs. The Hospital adopted this ASU for the year ended December 31, 2019 and as a result of the adoption of this ASU, the components of net benefit costs other than the service cost of $4,240, were adjusted for retrospective application and recorded in nonoperating expenses, in the consolidated statements of operations for the year ended December 31, 2018, which reduced the loss from operations. See note 9.

(v) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02*, Leases (Topic 842),* which supersedes FASB ASC Topic 840, *Leases*, and requires lessees to recognize most leases on balance sheet via a right-of-use asset and a lease liability, and provide additional qualitative and quantitative disclosures. Leases will be classified as either finance or operating leases, which will impact the expense recognition of such leases over the lease term. The ASU also modifies the lease classification criteria for lessors and eliminates some of the real estate leasing guidance previously applied for certain leasing transactions. This ASU is effective for the Hospital for fiscal years beginning after December 15, 2020, with early adoption permitted, and permits the option of applying a full or modified retrospective approach upon adoption. The Hospital expects to adopt this ASU in 2022. Because of the number of leases the Hospital utilizes to support its operations, the adoption of this ASU is expected to have a significant impact on the Hospital's consolidated financial position. Management is currently evaluating the extent of this anticipated impact on the Hospital's consolidated financial position and results of operations and does not expect the adoption of this ASU to have an impact on liquidity.

(3) Reimbursement Contingencies

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established charges. A summary of the payment arrangements with major third-party payors is as follows:

Medicare

Under the Medicare program, the Hospital receives reimbursement under a prospective payment system (PPS) for inpatient and outpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. Under the outpatient PPS, services are paid based on service groups called ambulatory payment classifications.

Medicaid and Other Third-Party Payors

The New York Health Care Reform Act of 1996 (the Act), as amended, governs payments to hospitals in New York State, and Medicaid, workers' compensation, and no-fault payors rates are promulgated by the New York State Department of Health. Reimbursement for services to Medicaid program beneficiaries includes prospectively determined rates per discharge and per visit amounts. All other third-party payors, principally, Blue Cross, other private insurance companies, Health Maintenance Organizations, Preferred Provider Organizations, and other managed care plans, negotiate payment rates directly with the Hospital. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at the Hospital's established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount. The Hospital has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Net patient service revenue decreased by approximately $1,791 and $565 for the years ended December 31, 2019 and 2018, respectively, for settlements related to prior years and changes in estimates to reflect the most recent information available.

Revenue from the Medicare and Medicaid programs accounted for approximately 68% and 70% of the Hospital's net patient service revenue in 2019 and 2018, respectively. Future changes in the Medicare and Medicaid programs, such as the Health Care Reform Law, and any reduction of funding could adversely impact the Hospital's operations. There can be no assurance that payments under governmental and private third-party payor programs will be timely, will remain at levels comparable to present levels, or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Hospital's financial condition and results of operations may be materially and adversely affected by the reimbursement process, which in the healthcare industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled. In addition, under the Medicare program, if the federal government makes a formal demand for repayment of an amount previously reimbursed, even related to contested items, repayment must be made for those items before the provider is given the opportunity to appeal and resolve the matter.

The Hospital has a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and interpretation exists. The Hospital is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

(Dollars in thousands)

The Hospital and others in the healthcare industry are subject to certain inherent risks, including the following:

- Substantial dependence on revenue derived from reimbursement by the Federal Medicare and Medicaid programs that have been reduced in recent years and which entail exposure to various healthcare fraud statutes
- Government regulations, government budgetary constraints, and proposed legislative and regulatory changes
- Collection risk of uninsured accounts receivable balances

Such inherent risks require the use of certain management estimates in the preparation of the Hospital's consolidated financial statements and it is reasonably possible that a change in such estimates may occur. The Hospital believes that an adequate provision has been made in the consolidated financial statements for the matters discussed above and their ultimate resolution will not have a material effect on the consolidated financial statements.

There are various proposals being considered by Congress that would repeal the Health Reform Law and replace it with another law. There are other proposals at the federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined and could be material to the Hospital's future results of operations and cash flows.

(4) Investments and Assets Limited or Restricted as to Use

The composition of investments and assets limited or restricted as to use consists of the following at December 31 at fair value:

		2019	2018
By type of investments:			
Money market funds	$	6,073	5,930
Equity securities		80	2,316
Certificate of deposit		3,230	3,212
	$	9,383	11,458
By type of limitation or restriction:			
Board-designated	$	—	2,142
Limited as to use by debt agreements		5,907	5,804
Other		58	58
Donor restricted for specific purposes		1,288	1,324
Permanent endowment		2,130	2,130
	$	9,383	11,458

(Dollars in thousands)

Investment income from investments, assets limited or restricted as to use and cash equivalents comprise the following for the years ended December 31:

		2019	2018
Investment income, net:			
Net interest and dividend income	$	261	357
Net realized gains		69	2,691
Net unrealized gains (losses)		44	(2,525)
	$	374	523

The following table presents the Hospital's fair value hierarchy for assets measured at fair value on a recurring basis as of December 31, 2019:

		Fair value		Fair value measurements using Level 1
By type of investment:				
Money market funds	$	6,073		6,073
Equity securities – domestic		80		80
Total investments measured at fair value		6,153	$	6,153
Certificate of deposit		3,230		
Total	$	9,383		

(Dollars in thousands)

The following table presents the Hospital's fair value hierarchy for assets measured at fair value on a recurring basis as of December 31, 2018:

		Fair value		Fair value measurements using Level 1
By type of investment:				
Money market funds	$	5,930		5,930
Equity securities – domestic		2,316		2,316
Total investments measured at fair value		8,246	$	8,246
Certificate of deposit		3,212		
Total	$	11,458		

(5) Property, Plant, and Equipment

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

		2019	2018	Useful lives
Land and leasehold improvements	$	8,605	8,567	Life of the lease
Building and building improvements		123,607	122,690	10–40 years
Fixed equipment		34,132	33,728	3–15 years
Moveable equipment		120,342	118,226	3–15 years
		286,686	283,211	
Accumulated depreciation and amortization		(248,465)	(240,864)	
		38,221	42,347	
Construction in progress		2,405	504	
Property, plant, and equipment, net	$	40,626	42,851	

Construction in progress consists of various renovations and upgrades being performed throughout the Hospital with estimated cost to complete of approximately $1,000 as of December 31, 2019. During 2019 and 2018, the Hospital disposed of approximately $1,534 and $225, respectively, of fully depreciated property, plant, and equipment.

(Dollars in thousands)

Equipment under capitalized lease obligations as of December 31 is as follows:

		2019	2018
Equipment	$	19,731	18,942
Less accumulated depreciation		(16,747)	(15,981)
	$	2,984	2,961

(6) Long-Term Debt

A summary of long-term debt and capital lease obligations at December 31 is as follows:

		2019	2018
6.80% mortgage loan – IDA Series 2001 A and 2001 B Bonds, monthly principal installments varying in amounts from $73 in 2019 to $166 in 2031, maturing July 31, 2031 (a)	$	16,830	17,705
5.24% mortgage loan, monthly installments of $20 including interest, beginning March 1, 2018 until March 1, 2023, collateralized by certain of the Hospital's property and plant (b)		2,774	2,836
7.00% mortgage loan, monthly installments of $3 including interest, until November 29, 2021, collateralized by property (c)		74	105
4.13% term loan, monthly installments of $18, including interest, until May 2019, collateralized by equipment (d)		—	91
0.76% term loan, monthly installments including interest, until June 2020, collateralized by equipment (e)		2	7
4.90% term loan, monthly installments including interest, until October 2022, collateralized by equipment (f)		20	26
4.90% term loan, monthly installments including interest, until October 2022, collateralized by equipment (g)		20	26
Capital lease obligations, interest rates varying from 0.00% to 7.81% (note 10)		2,339	2,406
		22,059	23,202
Less current portion		1,995	1,897
Less unamortized deferred financing costs		221	252
	$	19,843	21,053

(Continued)

(a) During 2001, the City of Yonkers Industrial Development Agency Civic Facility Revenue Bonds, Series 2001 A and Series 2001 B (St. John's Riverside Hospital Project) (Series 2001) were issued to raise money necessary to refund the outstanding obligation of the FHA Mortgage and fund certain other obligations and costs. The original principal amount of the Series 2001 bonds was $26,295. The bonds are secured by a mortgage on the Hospital's property and plant, as well as the gross receipts of the Hospital. Among other requirements, the mortgage agreement requires the Hospital to make deposits to escrow accounts to meet interest and principal payments. Such escrow accounts contain certain withdrawal restrictions.

(b) In March 2008, the Hospital entered into a commercial mortgage loan with Sterling National Bank in the amount of $3,350 to be used to refinance its existing first mortgage loan and fund expenses incurred in connection with closing this loan. This 10-year loan with an option to renew for one additional 5-year period shall consist of principal and interest payments payable in equal monthly installments calculated on a 30-year amortization schedule from the date of issuance until the maturity date on February 27, 2018. On February 28, 2018, the Hospital entered into a mortgage modification and extension agreement for an additional term of five years in the amount of $2,898 at a fixed interest rate of 5.24%. This 5-year term loan consists of principal and interest payments payable in equal monthly installments calculated on a 20-year amortization schedule from the date of issuance until the maturity date on March 1, 2023. This mortgage loan is secured by the Hospital's Park Care Pavilion site property and plant.

(c) On November 29, 2006, the Hospital obtained a $350 loan from a bank to be used for the purchase of property. As collateral, the bank holds the first mortgage on the property.

(d) In April 2014, the Hospital obtained a $1,000 loan from Sterling National Bank to be used for the purchase of equipment. As collateral, the bank holds the first priority interest in the equipment.

(e) In June 2015, the Hospital obtained a $21 loan from Chrysler Capital to be used for the purchase of equipment. As collateral, Chrysler Capital holds the first priority interest in the equipment.

(f) In October 2017, the Hospital obtained a $33 loan from Ford Motor Credit to be used for the purchase of equipment. As collateral, Ford Motor Credit holds the first priority interest in the equipment.

(g) In October 2017, the Hospital obtained a $33 loan from Ford Motor Credit to be used for the purchase of equipment. As collateral, Ford Motor Credit holds the first priority interest in the equipment.

On July 31, 2019, the Hospital was awarded a Statewide Health Care Facility Program grant in the amount of $29,100 to be used to retire all of the Hospital's existing debt and capital leases, the medical malpractice settlement liability and $1,773 of the outstanding revolving line of credit with Sterling National Bank to better position the Hospital for long term sustainability. Throughout March 2020, the Hospital received and used those funds to retire and settle those liabilities. See note 10 (b).

(Dollars in thousands)

Scheduled principal payments on long-term debt, including capital leases, are as follows:

Year ending December 31:		
2020	$	1,995
2021		1,947
2022		1,518
2023		1,397
2024		1,434
Thereafter		13,768
	$	22,059

(7) Credit Facilities

The Hospital has an Irrevocable Standby Letter of Credit (LOC) with TD Bank, N.A. supporting the Hospital's self-insured workers' compensation program. The LOC has an available amount of $3,700. At December 31, 2019 and 2018, no amounts have been drawn against the LOC.

The Hospital has a $2,000 revolving line of credit with Sterling National Bank. The maturity date of the revolving line of credit was March 31, 2020 and was extended to November 30, 2020. The line of credit bears interest of 4.75% and an annual nonusage fee of 0.25%. In January 2019, the Hospital drew down $2,000 in available credit line in which as of December 31, 2019, $2,000 was outstanding and is recorded in accounts payable and accrued expenses.

The Hospital signed and executed a line of credit with Montefiore Health System on September 7, 2018. On October 31, 2019, the Hospital amended their existing line of credit with Montefiore Health System. The amendment increased the Hospital's borrowing capacity under the line of credit in the amount of $16,000. The line of credit has an available amount of $28,500 to be used as working capital at December 31, 2019. No amounts have been drawn on as of December 31, 2019. The maturity date of the line of credit is one year from the first drawdown at a market rate.

On February 21, 2019, the Hospital signed and executed a loan agreement with the Dormitory Authority of the State of New York (DASNY) in the amount of $4,100, which is reported in due to third party payors in the accompanying balance sheet as of December 31, 2019, in which the repayment terms being when CMS approves a pending State Plan Amendment for the distribution of funds related to indigent care pool funding amounts due to the Hospital. The interest rate for this loan will be 2% but if all payments are made on time and in full then the interest will be forgiven. The Hospital obtained consent from Sterling National Bank to permit DASNY to file a second subordinated mortgage lien on the Park Care Pavilion property as security for this loan. On March 5, 2020 the Hospital repaid the $4,100 on time and the interest was forgiven.

On May 29, 2019, the Hospital entered into a financing agreement with DASNY in the amount of $12,000 under the Health Facility Restructuring Pool (HFRP) to support the Hospital's working capital requirements through September 30, 2019. There is no requirement for this DASNY financing amount to be secured by a mortgage lien on Hospital property and there will be no interest payments due under this financing agreement as the repayment terms for this bridge financing will be immediately repaid to DASNY upon the Hospital's receipt of its $18,000 of the State of New York Value Based Payment Quality Improvement Program, which will provide supplemental assistance to the Hospital for the period April 1, 2019 through March 31, 2020. The Hospital received all $18,000 of the funding during the last quarter of 2019, which is reported in other revenue in the consolidated statements of operations for the year ended December 31, 2019. Upon receipt of the first $12,000 of those funds, the Hospital repaid the $12,000 on November 29, 2019.

(Dollars in thousands)

(8) Leases

Future minimum payments, in the aggregate, under capitalized leases and noncancelable operating leases with initial or remaining terms in excess of one year, are as follows:

	Capitalized leases	Operating leases
Year ending December 31:		
2020	$ 1,006	2,618
2021	841	1,013
2022	355	916
2023	144	936
2024	95	931
Thereafter	77	5,633
	2,518	12,047
Less amount representing interest	179	—
	$ 2,339	12,047

Total rental expense charged to operations for the years ended December 31, 2019 and 2018 was approximately $2,778 and $2,793, respectively, and is reported in supplies and other expenses in the consolidated statements of operations.

(9) Benefit Plans

(a) The Andrus Pavilion has a noncontributory defined-benefit pension plan covering a majority of its employees. Benefits are based on employees' compensation during all their years of credited service. It is the Hospital's policy to fund pension costs throughout the plan year based on regulatory requirements.

During 2000, the Andrus Pavilion curtailed the noncontributory defined-benefit plan and the postretirement benefit plan discussed below to, in effect, freeze defined plan benefits for those participants who, in October 2000, joined a bargaining unit. Effective July 1, 2007, no new employee shall become an active participant of the noncontributory defined-benefit plan, and no inactive participant or former participant shall again become an active participant of this plan.

(b) The Andrus Pavilion provides postretirement healthcare benefits through age 65 to all retired employees who have met the minimum requirements of achieving age 60 and 20 years of service. Thereafter, benefits are only provided to the extent not covered by Medicare. Participants are subject to an annual contribution. Attribution of postretirement benefits commences at age 35. It is the Hospital's policy to fund postretirement costs on a pay-as-you-go basis.

During 2003, the Andrus Pavilion amended the postretirement benefit plan as to the eligibility requirement. Effective December 31, 2003, the minimum age requirements changed from 58 and 20 years of service to 60 and 20 years of service.

Effective January 1, 2011, the Andrus Pavilion postretirement healthcare benefit was amended to offer the choice of a Health Retirement Account (HRA) or a Blue Cross Medicare Advantage Program for current and future Medicare retirees. The annual maximum HRA reimbursement is $3 multiplied by a percentage based on years of service at retirement. In December 2014, the benefit plan design was modified whereby effective January 1, 2015, the benefit currently provided to certain groups of plan participants will be changed from a percentage of the medical premium to a flat dollar amount. These plan changes resulted in a reduction in the benefit obligation and are being amortized on a straight-line basis over the average remaining service of full eligibility for active employees expected to receive benefits under the plan.

(c) Effective October 1, 1996, all employees of the Andrus Pavilion are eligible to participate in a defined-contribution retirement plan, whereby contributions are made on a quarterly basis up to 2% of employees' qualifying salary. Effective July 1, 2007, all new employees participate in a defined-contribution plan, whereby contributions are made on an annual basis equal to 2% of the employee's qualifying salary plus the Hospital matches 100% of an employee's contribution up to 4%. Effective January 1, 2011, the defined-contribution plan was amended, whereby contributions are made on an annual basis equal to 3% of the employee's qualifying salary plus the hospital matches 100% of an employees contribution up to 3%. Five-year vesting is a requirement for this defined-contribution plan. The Hospital recorded pension expense of $1,022 and $1,088 for the years ended December 31, 2019 and 2018, respectively, in relation to this plan.

Effective July 1, 1994, certain employees at the Park Care Pavilion have participated in a defined-contribution retirement plan, whereby contributions are made on an annual basis equal to 2% of the employees' qualifying salary. In addition, certain employees of the Park Care Pavilion participate in a defined-contribution plan, whereby the Park Care Pavilion matches 100% of an employee's contributions up to 3%. Effective July 1, 2007, the employer match was changed to 100% of an employee's contribution up to 4%. Effective January 1, 2011, the defined-contribution plan was amended, whereby contributions are made on an annual basis equal to 3% of the employee's qualifying salary plus the hospital matches 100% of an employees contribution up to 3%. Five-year vesting is a requirement for these defined-contribution plans. The Hospital recorded pension expense related to these plans of $240 and $356 for the years ended December 31, 2019 and 2018, respectively.

For the years ended December 31, 2019 and 2018, the Hospital recorded pension expense of $175 and $179, respectively, for the various defined-contribution plans in place for Dobbs Ferry Pavilion employees.

Effective January 1, 2017, employees that are members of a certain collective bargaining unit and do not participate in the hospital's noncontributory defined benefit pension plan, received a fixed nonelective contribution equal to 7% of the employees qualifying salary on a quarterly basis and effective January 1, 2018, the fixed nonelective contribution is equal to 8% of the employees qualifying salary. The Hospital recorded pension expense related to this plan of $1,308 and $828 for the years ended December 31, 2019 and 2018 respectively.

(d) The Hospital participates in a multiemployer union pension plan, covering substantially all employees not eligible for the Hospital's plans. The Employer Identification Number is 13-3604862 and the three-digit Pension Plan number is 001. The most recent Pension Protection Act (PPA) zone status is green at both December 31, 2019 and 2018, which is for the plan years ended December 31, 2019 and 2018, respectively. The zone status is based on information that the Hospital received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The contributions by the Hospital to the union pension fund were $4,979 and $3,939 for the years ended December 31, 2019 and 2018, respectively. There have been no significant changes that affect the comparability of 2019 and 2018 contributions. The Form 5500 is available for the plan year ended December 31, 2019.

(e) The Hospital recognizes the funded status (the difference between the fair value of plan assets and projected benefit obligation for its defined-benefit plan and difference between the fair value of plan assets and accumulated postretirement benefit obligation for its postretirement plan) of its defined-benefit pension plan and postretirement benefit plan as an asset or liability in the consolidated balance sheets and also recognizes changes in the funded status in the year in which the changes occur through changes in net deficit.

The measurement date used to determine pension and other postretirement benefit measures for the pension plan and the postretirement benefit plan is December 31.

(Continued)

(Dollars in thousands)

The following tables set forth the benefit obligations and fair value of plan assets at December 31:

		Defined-benefit plan		Postretirement benefit plan	
		2019	**2018**	**2019**	**2018**
Reconciliation of the benefit obligation:					
Benefit obligation at beginning of year	$	201,025	213,039	10,381	11,270
Service cost		3,422	4,107	342	407
Interest cost		8,172	7,530	422	394
Actuarial loss (gain)		22,082	(16,740)	829	(1,387)
Benefits paid and administrative expenses		(7,291)	(6,911)	(285)	(303)
Projected benefit obligation at end of year	$	227,410	201,025	11,689	10,381
Change in plan assets:					
Fair value of plan assets at beginning of year	$	127,935	133,357	—	—
Actual return on plan assets		19,529	(4,305)	—	—
Employer contributions		6,043	5,794	285	303
Benefits paid and administrative expenses		(7,291)	(6,911)	(285)	(303)
Fair value of plan assets at of year	$	146,216	127,935	—	—

The accumulated benefit obligation for the defined-benefit pension plan was $220,236 and $194,816 at December 31, 2019 and 2018, respectively.

The actuarial loss in 2019 was primarily attributable to a decrease in the discount rate assumption from 2018 to 2019, which resulted in an increase in the December 31, 2019 projected benefit obligation of approximately $22,206.

The actuarial gain in 2018 was primarily attributable to an increase in the discount rate assumption from 2017 to 2018, which resulted in a decrease in the December 31, 2018 projected benefit obligation of approximately $16,659.

(Dollars in thousands)

The funded status and amounts recognized in the consolidated balance sheets at December 31 are as follows:

	Defined-benefit plan		Postretirement benefit plan	
	2019	**2018**	**2019**	**2018**
Funded status, end of year:				
Fair value of plan assets	$ 146,216	127,935	—	—
Projected benefit obligation	(227,410)	(201,025)	(11,689)	(10,381)
Funded status	$ (81,194)	(73,090)	(11,689)	(10,381)

	2019	**2018**
Amounts recognized in the consolidated balance sheets, end of year:		
Accrued benefit costs	$ (92,883)	(83,471)
Included in net deficit without donor restrictions are the following amounts that have not yet been recognized in net periodic benefit cost:		
Net actuarial loss	$ 61,457	55,841
Prior service benefit	(3,186)	(5,623)
	$ 58,271	50,218

The estimated amounts that will be amortized from net deficit without donor restrictions into net periodic pension cost in 2020 are as follows:

Net actuarial loss	$ 4,821
Prior service benefit	(1,916)
	$ 2,905

(Dollars in thousands)

The components of net periodic benefit cost for the years ended December 31 are as follows:

	Defined-benefit plan		Postretirement benefit plan	
	2019	**2018**	**2019**	**2018**
Service cost	$ 3,422	4,107	342	407
Interest cost	8,172	7,530	422	394
Expected return on assets	(6,878)	(7,204)	—	—
Amortization of prior service benefit	—	—	(2,436)	(2,436)
Recognized net actuarial loss	4,287	5,461	357	495
Net periodic benefit cost	$ 9,003	9,894	(1,315)	(1,140)

The service cost component of net periodic pension cost is included in employee benefits expense as an operating expense. All other components are included in nonoperating expenses.

The components of pension and postretirement related changes other than net periodic benefit cost included as other changes in net deficit without donor restrictions are as follows:

	2019	2018
Current year actuarial loss (gain)	$ 10,262	(6,619)
Amortization of prior service benefit	2,436	2,436
Amortization of actuarial loss	(4,645)	(5,956)
Pension and postretirement-related changes other than net periodic benefit cost	$ 8,053	(10,139)

(Dollars in thousands)

	Defined-benefit plan		Postretirement benefit plan	
	2019	**2018**	**2019**	**2018**
Weighted average assumptions used to determine benefit obligation:				
Discount rate	3.25 %	4.15 %	3.15 %	4.15 %
Rate of compensation increase	2.50	3.00	—	—
Weighted average assumptions used to determine net benefit cost:				
Discount rate	4.15 %	3.60 %	4.15 %	3.55 %
Expected long-term rate of return on plan assets	5.50	5.50	—	—
Rate of compensation increase	3.00	3.00	—	—

The expected long-term rate of return on plan assets is based on the portfolio as a whole and not the sum of the returns on the individual asset categories. The return is based exclusively on historical returns, without adjustments.

For measurement purposes, the annual healthcare cost trend rates used for pre-age and post-age 65 begin at 6.75% and then decrease gradually to 4.00% in the year 2070 and thereafter.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	One-percentage-point increase	One-percentage-point decrease
Effect on total of service and interest cost components	$ 116	(88)
Effect on postretirement benefit obligation	1,406	(1,104)

(Dollars in thousands)

Plan Assets

The fair value of the Hospital's pension plan assets at December 31 by asset category is as follows:

		Fair value	Fair value measurements at December 31, 2019 using	
			Level 1	**Level 2**
Asset category:				
Pooled equity securities:				
U.S. large cap equity	$	26,578	—	26,578
U.S. small/mid cap equity		4,702	—	4,702
International equity		15,434	—	15,434
Pooled fixed-income securities:				
Fixed-income commingled funds		89,250	—	89,250
Pooled diversified real asset commingled funds		2,647	—	2,647
Total investments measured at fair value		138,611	$ —	138,611
Alternative investments measured at net asset value (or equivalent) (a)		7,605		
Total	$	146,216		

		Fair value	Fair value measurements at December 31, 2018 using	
			Level 1	**Level 2**
Asset category:				
Pooled equity securities:				
U.S. large cap equity	$	22,937	—	22,937
U.S. small/mid cap equity		3,818	—	3,818
International equity		11,690	—	11,690
Pooled fixed-income securities:				
Fixed-income commingled funds		78,649	—	78,649
Pooled diversified real asset commingled funds		2,490	—	2,490
Total investments measured at fair value		119,584	$ —	119,584

(Continued)

(Dollars in thousands)

		Fair value measurements at December 31, 2018 using	
	Fair value	**Level 1**	**Level 2**
Alternative investments measured at net asset value (or equivalent) (a)	$ 8,351		
Total	$ 127,935		

a. *Real Estate Fund* – Investment consists of a highly liquid real estate investment company, principally multifamily real estate properties. This investment can be liquidated on demand within one day's notice. For the years ended December 31, 2019 and 2018, there were no unfunded commitments.

There were no transfers between Levels 1, 2, and 3 during the years ended December 31, 2019 and 2018.

The target weighted average asset allocation of the pension plan assets at December 31 was as follows:

	2019
Equity securities	32 %
Fixed income	61
Other	7
	100 %

The Hospital's financial and investment objectives are to meet present and future obligations to beneficiaries while minimizing the Hospital's contributions over the long term, by earning an adequate return on assets with moderate volatility. The Hospital's plan assets consist of investments in pooled separate accounts. The weighted average asset allocations in the preceding table are representative of the target asset allocation for the Hospital's pension plan. The investment strategy is to build an efficient, well-diversified portfolio based on a long-term strategic outlook of the investment markets. The investment market outlook utilizes both historical-based and forward-looking return forecasts to establish future return expectations for various asset classes. These return expectations are used to develop a core asset allocation based on the needs of the plan. The core asset allocation utilizes investment portfolios of various asset classes and multiple investment managers in order to help maximize the plan's return while providing multiple layers of diversification to help minimize risk. The investment performance is reviewed and presented to an investment committee on a quarterly basis in total as well as by asset class and individual manager, relative to one or more benchmarks.

Cash Flows

The Hospital expects to defer contributions to its pension plan in 2020 in accordance with the federal funding relief provisions under the United States Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Hospital expects to contribute $419 to its postretirement benefit plan in 2020.

(Continued)

(Dollars in thousands)

The benefits expected to be paid for the pension plan in each year 2020–2024 are $8,300, $8,600, $9,020, $9,550, and $10,070, respectively. The aggregate benefits expected to be paid in the five years from 2025 to 2029 are $56,810. The expected benefits are based on the same assumptions used to measure the Hospital's benefit obligation at December 31 and include estimated future employee service.

The benefits expected to be paid for the postretirement plan in each year 2020–2024 are $419, $466, $493, $524, and $509, respectively. The aggregate benefits expected to be paid in the five years from 2025 to 2029 are $2,903. The expected benefits are based on the same assumptions used to measure the Hospital's benefit obligation at December 31 and include estimated future employee service.

(10) Insurance Arrangements

(a) Professional Liabilities

Effective July 1989 and April 1995, the Park Care Pavilion and the Andrus Pavilion, respectively, were self-insured for a portion of losses, which may arise from medical malpractice claims filed against them, including incidents that have occurred but have not been reported. This self-insurance program was established for medical malpractice coverage, augmented by an umbrella policy until March, 1999.

In April 1999, both the Park Care Pavilion and the Andrus Pavilion discontinued the self-insured medical malpractice program and began purchasing medical malpractice coverage on a claims-made basis from the Captive. Accordingly, management recorded a liability for claims incurred but not reported (IBNR) that is recorded in current portion of other liabilities in the consolidated balance sheets, in the amounts of approximately $949 and $973, respectively, at December 31, 2019 and 2018. The Captive currently provides coverage for the Hospital of up to $5,000 per each and every occurrence, which is augmented by an umbrella policy of $10,000 per occurrence, and $10,000 in aggregate. The Hospital pays as premiums to the Captive an estimate of the ultimate cost of losses payable by the Captive. Effective July 2001, the Captive provided loss portfolio transfer coverage for the Hospital, which retroactively transferred the liability of the Hospital for certain professional liability losses to the captive. The loss portfolio transfer period of coverage was for Andrus Pavilion for claims occurring prior to April 24, 1999 and for Park Care Pavilion for claims occurring prior to July 1, 1999. The Captive has reported assets necessary to cover the outstanding losses of the Captive, which are determined by an independent actuary. Effective March 31, 2009, Dobbs Ferry Pavilion's medical malpractice coverage was included under the same policy as the Park Care Pavilion and Andrus Pavilion locations.

The Hospital has accrued medical malpractice claims liability for incurred claims discounted at a rate of 2%. The claims liability, excluding IBNR, and related receivable are included in other current assets and current portion of other liabilities of $1,643 and $1,705 and other noncurrent assets, net and other liabilities of $4,706 and $4,799, at December 31, 2019 and 2018, respectively.

As of December 31, the Hospital has recorded a liability and a related insurance receivable as follows:

		2019	2018
Estimated malpractice liabilities, including IBNR	$	7,298	7,477
Estimated insurance recovery receivable		(6,349)	(6,504)

(Dollars in thousands)

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. 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 the Hospital's consolidated financial position, results of operations, or liquidity.

(b) Professional Liabilities Settled

During 2009, certain medical malpractice litigation matters were settled. The Hospital structured these medical malpractice settlements with a long-term payment arrangement. The annual cash flow requirements for these settlements were $801 for 2014 and 2015, and are $801 for the years 2016–2020, $737 for the year 2021, $418 for the years 2022–2029, and $237 for the year 2030. The net present value of the liability for these settled litigation matters has been recorded on the Hospital's consolidated balance sheets in the amount of approximately $4,282 and $4,902 at December 31, 2019 and 2018, respectively, included in other current and long-term liabilities. See note 6 relating to Statewide Health Care Facility Program grant in which proceeds were used to pay off the medical malpractice settlements.

(c) Workers' Compensation

The Hospital purchases workers' compensation and employer liability insurance from an unrelated insurance company. The program provided coverage with a $350 deductible, and limits of $1,000 per accident, $1,000 by disease per employee, and $1,000 by disease in total.

From October 1, 1998 to December 31, 2006, the Hospital had also purchased a workers' compensation insurance deductible reimbursement policy from the Captive. This policy had been renewed annually. The policy had a limit of $350 per occurrence and $1,400 in the aggregate.

In December 2006, the Hospital completed a loss portfolio transaction, which transferred the workers' compensation outstanding loss reserve and IBNR liability from the Captive to the Hospital in exchange for a reduction of premiums due to the Captive by the Hospital.

In connection with the loss portfolio transaction, the Hospital engaged an independent actuary to estimate the undiscounted liability for uninsured claims for all occurrences of workers' compensation after October 1, 1998. Included in current portion of other liabilities at December 31, 2019 and 2018 is $741 and $817, respectively; included in other liabilities is $3,579 and $3,641, respectively. The Hospital's obligation to pay workers' compensation benefits are secured by a LOC totaling $3,700 at December 31, 2019 (note 7).

As of December 31, the Hospital has recorded an undiscounted workers' compensation claims liability and a related insurance recovery receivable as follows:

	2019	2018
Estimated workers' compensation liabilities, including IBNR	$ 5,951	6,090
Estimated insurance recovery receivable	(1,631)	(1,632)

(Dollars in thousands)

Such amounts are included in other noncurrent assets, net and other liabilities, respectively, at December 31, 2019 and 2018.

(11) Commitments and Contingencies

(a) The Hospital is involved in general liability litigation and claims in the normal course of business. 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 the Hospital's consolidated financial position, results of operations, or liquidity.

(b) Approximately 70% of the Hospital's employees are covered under a collective bargaining agreement with various unions.

(c) During 2010, the Hospital entered into a Community Benefit Grant Agreement with Hudson River Healthcare, Inc. (HRH), a Federally Qualified Health Center, whereby HRH assumed prospective responsibility for operating the Hospital's Prenatal Care Clinic (the Clinic) in exchange for a grant award to be made by the Hospital to provide financial support to HRH in the amount of $2,300 over the initial five-year term. The agreed-upon payments for the initial five-year period were $460 per annum to cover the costs of HRH's anticipated uncompensated expenses in providing prenatal, postpartum, gynecological services, and programs to the residents of the communities served by the Clinic. Effective January 1, 2013, an amendment was made to this agreement whereby the annual payment was reduced to $230 per annum and the term of the agreement now expires on December 31, 2032. The Hospital recorded expense of $230 for both the years ended December 31, 2019 and 2018. This agreement may be terminated at any time by mutual consent of the parties.

(12) Endowment Funds

The Hospital's endowment includes individual endowment funds established with donor restrictions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and the Hospital's board designated funds are in investments (note 4). The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment donor-restricted net assets at December 31 are as follows:

		2019	2018
Investments to be held in perpetuity, the income from which is expendable to support healthcare services (reported as investment income)	$	2,130	2,130

(Dollars in thousands)

(13) Related-Party Transactions

The Hospital had advanced RMSO funds for working capital, start-up costs, renovations, and daily operations, which was converted to an interest-bearing note at a fixed rate of 2.14%. The amount due from RMSO is $539 and $575 as of December 31, 2019 and 2018, respectively.

RHCS is the sole member of the Michael Malotz Skilled Nursing Pavilion (Nursing Home). The Nursing Home is not controlled by the Hospital and, therefore is not included in the consolidated financial statements. The sale of the assets of the Nursing Home to an unrelated buyer was completed on August 31, 2015. During 2018, the Nursing Home transferred funds in the amount of $200 to the Hospital related to a New York State Universal settlement for nursing homes and insurance payment receipts for services performed before the sale of the Nursing Home. The hospital did not provide any services to the Nursing Home for the funds received in 2018. As such, the amounts are recorded as other changes in net assets without donor restrictions in the consolidated statement of changes in net deficit. During 2019, the Nursing Home did not transfer any funds to the Hospital related to a New York State Universal settlement for nursing homes and insurance payment receipts for services performed before the sale of the Nursing Home.

The Hospital owes the Captive, an affiliated captive insurance company, $3,403 and $2,060 for the years ended December 31, 2019 and 2018, respectively. Premiums for professional and general insurance coverage amounted to approximately $1,828 and $2,007 for the years ended December 31, 2019 and 2018, respectively, and are reported in supplies and other expenses in the consolidated statements of operations.

(14) Classification of Expenses by Function and Nature

The Hospital provides general healthcare services to residents within its geographic location, including general acute care with a full range of inpatient and outpatient services. Expenses attributable to more than one functional expense categories are allocated using a variety of cost allocation methods such as square footage and full-time equivalents.

Program expenses for the years ended December 31, 2019 and 2018 related to providing these services are as follows:

		Healthcare services	General and administrative	Total
Salaries and benefits	$	159,500	15,883	175,383
Supplies and other		91,177	9,285	100,462
Interest		1,895	—	1,895
Depreciation and amortization		9,135	—	9,135
Total 2019	$	261,707	25,168	286,875

(Dollars in thousands)

		Healthcare services	General and administrative	Total
Salaries and benefits	$	158,747	14,466	173,213
Supplies and other		86,408	9,729	96,137
Interest		2,218	—	2,218
Depreciation and amortization		10,297	—	10,297
Total 2018	$	257,670	24,195	281,865

(15) Concentration of Credit Risk

At December 31, 2019 and 2018, the Hospital had cash balances in a financial institution that exceeded federal depository insurance limits.

The Hospital routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

(16) Liquidity and Availability of Resources

Assets reflected below are unencumbered cash, investments and current receivables. The investments reflected below are all board designated funds. Management presents detailed budgets and cash flow forecasts on a periodic basis (typically quarterly) and advises the finance and investment committees of any liquidity needs there may be for the ensuing period. Those committees would then approve or deny such request.

The Hospital has two revolving line of credits with $28,500 of availability as of December 31, 2019, which can be used for general expenditures. See note 7.

As of December 31, 2019, the Hospital's financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

		2019	2018
Cash and liquid investments:			
Cash and cash equivalents	$	6,061	2,986
Investments		—	2,142
Total cash and investments		6,061	5,128

(Dollars in thousands)

		2019	2018
Other current assets:			
Patient accounts receivable	$	24,164	24,435
Due from third-party payors		10,389	10,695
Total other current assets		34,553	35,130
Total financial assets available within one year	$	40,614	40,258

(17) Subsequent Events

Management evaluated all events and transactions that occurred after December 31, 2019 and through November 30, 2020. See notes 6, 7, 10 (b) and below.

The Hospital's operations are subject to additional risks regarding the outbreak of COVID-19. On March 11, 2020, the World health Organization declared COVID-19 a pandemic, and on March 13, 2020, President Trump declared a national emergency. The federal and state governments, including New York, imposed strict measures to curtail certain aspects of public life in an effort to contain the virus. Despite these efforts, incidents of COVID-19 infection cases in the United States, the Northeast and in the Hospital's service area rose sharply throughout March and April 2020.

As a result of the pandemic, the Hospital has experienced significant operating losses. Additionally, Congress passed and the President signed several bills aimed at easing the financial burden of COVID-19 on the health care community, most notably the CARES Act. At this point the Hospital is not able to determine the ultimate impact of the pandemic or the extent the CARES Act or other similar programs will mitigate these impacts.

On March 27, 2020 President Trump signed the CARES Act, a $2 trillion piece of legislation intended to provide economic relief to those affected by the COVID-19 pandemic. The CARES Act includes numerous provisions to ease the burden of COVID-19 on the health care community. As a result, the Hospital has received funding as follows:

Public Health and Social Services Emergency Fund created a new fund of $100 billion to cover non-reimbursable expenses (including personal protective equipment, staffing, training, and lost revenue) attributable to COVID-19 health care entities, including physician practices, that provide health care, diagnoses or testing. The Hospital received $40,421 from April through June 2020. The funds are subject to Provider Reporting Guidelines published by the Department of Health and Human Services.

In addition, the Accelerated and Advance Payment (AAP) Program allowed CMS to make advance payments to providers which are typically used in emergency situations. Qualified providers were able to request up to a six month advanced lump sum or periodic payment. The Hospital received $30,600 in advance payments in April 2020. In October 2020, the repayment terms under the AAP Program were amended to delay repayment to one year after the advance payment was issued. After that first year, Medicare will automatically recoup 25 percent of Medicare payments otherwise owed to the provider for eleven months. At the end of the eleven month period, recoupment will increase to 50 percent for another six months. If the Hospital is unable to repay the total amount of the AAP during this time-period, CMS will issue a letter requiring repayment of any outstanding balance, subject to an interest rate of four percent.

ST. JOHN'S RIVERSIDE HOSPITAL AND SUBSIDIARY

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Grant/Contract Number/ Pass-through entity identifying number	Total Federal expenditures
U.S. Department of Health and Human Services:			
Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6H76HA00779	$ 251,818
Pass-through from Health Research, Inc.:			
Hospital Preparedness Program	93.074	5120-05	80,000
HIV Emergency Relief Project Grants:			
Pass-through from Westchester County Department of Health:			
Ryan White Part A HIV AIDS Treatment Extension Act of 2009	93.914	15-MCT-981	262,064
Total U.S. Department of Health and Human Services			593,882
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063		141,310
Federal Direct Student Loans Program (note 3)	84.268		700,376
Subtotal Student Financial Assistance Cluster			841,686
Total U.S. Department of Education			841,686
Total expenditures of federal awards			$ 1,435,568

See accompanying notes to schedule of expenditures of federal awards.

ST. JOHN'S RIVERSIDE HOSPITAL AND SUBSIDIARY

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

(1) Basis of Presentation

The accompanying Schedule of expenditures of Federal Awards (the Schedule) includes the federal award activity of St. John's Riverside Hospital and Subsidiary (the Hospital) under programs of the federal government. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets (deficit), or cash flows of the Hospital.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule of expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) Federal Direct Student Loans Program

With respect to the Federal Direct Student Loans Program, the Hospital is only responsible for the performance of certain administrative duties; therefore, the transactions and the balances of loans outstanding related to this program are not included in the Hospital's consolidated financial statements. The Schedule of expenditures of Federal Awards includes the amounts loaned to students during the year ended December 31, 2019. It is not practical to estimate the outstanding balance of loans under this program.

(4) Pass-through to Subrecipients

The Hospital did not provide federal awards to subrecipients in 2019.

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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

To the Board of Trustees
St. John’s Riverside Hospital and Subsidiary:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of St. John’s Riverside Hospital and Subsidiary (the Hospital), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Hospital’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital’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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

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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 Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 30, 2020

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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

The Board of Trustees
St. John's Riverside Hospital and Subsidiary:

Report on Compliance for Each Major Federal Program

We have audited St. John's Riverside Hospital and Subsidiary's (the Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2019. The Hospital's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Hospital's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital'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 the major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Opinion on the Major Federal Program

In our opinion, St. John's Riverside Hospital and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major

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federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the consolidated financial statements of St. John's Riverside Hospital and Subsidiary as of and for the year ended December 31, 2019, and have issued our report thereon dated December 23, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

December 23, 2020

ST. JOHN'S RIVERSIDE HOSPITAL AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Year ended December 31, 2019

(1) Summary of Auditors' Results

(a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**.

(b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: **No**.
- Significant deficiencies: **None reported**.

(c) Noncompliance material to the consolidated financial statements: **No.**

(d) Internal control deficiencies over major program disclosed by the audit:

- Material weaknesses: **No.**
- Significant deficiencies: **None reported.**

(e) Type of report issued on compliance for major program: **Unmodified.**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No.**

(g) Major program:

Agency	Program title	CFDA number
U.S. Department of Education	Student Financial Assistance Cluster:	
	Federal Pell Grant Program	84.063
	Federal Direct Student Loans Program	84.268

(h) Dollar threshold to distinguish between Type A and Type B programs: **$750,000**.

(i) The Hospital qualified as a low-risk auditee: **No**.

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

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.