Consolidated Financial Statements and Supplementary Information and Accompanying Reports and Schedules Related to Office of Management and Budget Circular A-133

The New York and Presbyterian Hospital
EIN: #13-3957095
Year Ended December 31, 2014
With Reports of Independent Auditors

Ernst & Young LLP

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The New York and Presbyterian Hospital

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and Accompanying Reports and Schedules Related to
Office of Management and Budget Circular A-133

Year Ended December 31, 2014

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I. Consolidated Financial Statements Section

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Report of Independent Auditors

Management and the Board of Trustees
The New York and Presbyterian Hospital

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The New York and Presbyterian Hospital, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of NYP Community Services, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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.

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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 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 The New York and Presbyterian Hospital at December 31, 2014 and 2013, and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating details appearing in conjunction with the consolidated statements of financial position and operations as of and for the year ended December 31, 2014, and the Schedule of Expenditures of Federal Awards for the year ended December 31, 2014, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 29, 2015, on our consideration of The New York and Presbyterian 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 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 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 New York and Presbyterian Hospital's internal control over financial reporting and compliance.

Ernst & Young LLP

April 29, 2015, except for the schedule of
expenditures of federal awards for which the
date is September 30, 2015

The New York and Presbyterian Hospital

Consolidated Statements of Financial Position

	December 31 2014	December 31 2013
	(In Thousands)	
Assets		
Current assets:		
Cash, cash equivalents and short-term investments*:*		
Cash and cash equivalents	**$ 210,271**	$ 152,982
Short-term investments *(Note 13)*	**1,068,740**	882,499
Total cash, cash equivalents and short-term investments	**1,279,011**	1,035,481
Patient accounts receivable, less allowance for uncollectibles (2014 – $190,039; 2013 – $181,945)	**526,380**	559,638
Other current assets	**85,469**	71,252
Assets limited as to use – current portion *(Notes 3, 5, 8, and 13)*	**32,788**	28,390
Professional liabilities insurance recoveries receivable – current portion *(Note 8)*	**63,462**	60,812
Beneficial interest in net assets held by related organizations – current portion *(Note 7)*	**78,699**	68,420
Total current assets	**2,065,809**	1,823,993
Assets limited as to use – noncurrent *(Notes 3, 5, 8, and 13)*	**1,638,685**	1,490,430
Property, buildings, and equipment – net *(Note 4)*	**2,404,688**	2,169,218
Other noncurrent assets – net	**31,698**	36,941
Professional liabilities insurance recoveries receivable – noncurrent *(Note 8)*	**178,449**	165,350
Beneficial interest in net assets held by related organizations – noncurrent *(Note 7)*	**1,698,169**	1,684,944
Total assets	**$ 8,017,498**	$ 7,370,876

	December 31	
	2014	**2013**
	(In Thousands)	
Liabilities and net assets		
Current liabilities:		
Long-term debt – current portion *(Note 5)*	**$ 80,512**	$ 113,411
Accounts payable and accrued expenses	**414,289**	334,479
Accrued salaries and related liabilities	**212,191**	175,823
Due to related organizations – net *(Note 10)*	**2,412**	4,671
Pension and postretirement benefit liabilities – current portion *(Note 9)*	**12,075**	12,112
Professional liabilities and other – current portion *(Note 8)*	**64,092**	60,812
Other current liabilities *(Note 2)*	**163,857**	120,879
Total current liabilities	**949,428**	822,187
Long-term debt *(Note 5)*	**1,021,092**	1,063,385
Professional liabilities and other *(Note 8)*	**337,775**	331,170
Pension liability *(Note 9)*	**264,807**	38,633
Postretirement benefit liability *(Note 9)*	**31,781**	24,823
Deferred revenue *(Note 5)*	**2,985**	3,770
Other noncurrent liabilities *(Note 2)*	**314,207**	291,595
Total liabilities	**2,922,075**	2,575,563
Commitments and contingencies *(Notes 2, 5, 6, 8, 9, 10, and 12)*		
Net assets:		
Unrestricted	**3,295,196**	3,041,949
Temporarily restricted:		
NYP/Lawrence Hospital	**18,675**	–
Held by related organizations	**1,527,247**	1,507,968
Total temporarily restricted	**1,545,922**	1,507,968
Permanently restricted:		
NYP/Lawrence Hospital	**4,684**	–
Held by related organizations	**249,621**	245,396
Total permanently restricted	**254,305**	245,396
Total net assets	**5,095,423**	4,795,313
Total liabilities and net assets	**$ 8,017,498**	$ 7,370,876

See accompanying notes.

The New York and Presbyterian Hospital

Consolidated Statements of Operations

	Year Ended December 31 2014	Year Ended December 31 2013
	(In Thousands)	
Operating revenues		
Net patient service revenue *(Note 2)*	**$ 4,373,531**	$ 4,050,632
Provision for bad debts *(Note 2)*	**(59,465)**	(54,081)
Net patient service revenue, less provision for bad debts	**4,314,066**	3,996,551
Other revenue *(Note 11)*	**262,517**	267,959
Total operating revenues	**4,576,583**	4,264,510
Operating expenses		
Salaries and wages	**2,091,118**	1,945,813
Employee benefits	**584,473**	551,330
Supplies and other expenses	**1,374,425**	1,270,885
Interest and amortization of deferred financing fees	**46,264**	39,022
Depreciation and amortization	**259,938**	255,297
Total operating expenses	**4,356,218**	4,062,347
Operating income	**220,365**	202,163
Investment return *(Note 3)*	**62,885**	153,945
Excess of revenues over expenses before inherent contribution of unrestricted net assets received in the acquisition of NYP/Lawrence Hospital and net medical resident tax refund	**283,250**	356,108
Inherent contribution of unrestricted net assets received in the acquisition of NYP/Lawrence Hospital *(Note 1)*	**82,218**	–
Net medical resident tax refund	**–**	214
Excess of revenues over expenses	**365,468**	356,322
Other changes in unrestricted net assets:		
Transfer of fixed assets from Royal Charter Properties, Inc. *(Note 10)*	**–**	3,191
Deed of property, building and equipment to Royal Charter Properties, Inc. *(Note 10)*	**(16,160)**	–
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets *(Note 10)*	**83,186**	77,785
Change in pension and postretirement benefit liabilities to be recognized in future periods *(Note 9)*	**(179,247)**	157,787
Change in unrestricted net assets	**$ 253,247**	$ 595,085

See accompanying notes.

The New York and Presbyterian Hospital

Consolidated Statements of Changes in Net Assets

				Beneficial Interest in Temporarily and Permanently Restricted Net Assets Held by Related Organizations					
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Plant Replacement**	**Specific Purpose**	**Endowment Earnings**	**Total Temporarily Restricted**	**Permanently Restricted**	**Total Net Assets**
					(In Thousands)				
Net assets at January 1, 2013	$ 2,446,864	$ 12,857	$ 6,710	$ 574,237	$ 462,576	$ 197,207	$ 1,234,020	$ 228,804	$ 3,929,255
Change in unrestricted net assets	595,085	–	–	–	–	–	–	–	595,085
Transfer of donor-restricted net assets to New York-Presbyterian Fund, Inc. *(Note 10)*	–	(12,857)	(6,710)	–	–	–	–	–	(19,567)
Changes in beneficial interest in net assets held by related organizations *(Note 7)*	–	–	–	174,677	75,047	24,224	273,948	16,592	290,540
Changes in net assets	595,085	(12,857)	(6,710)	174,677	75,047	24,224	273,948	16,592	866,058
Net assets at December 31, 2013	3,041,949	–	–	748,914	537,623	221,431	1,507,968	245,396	4,795,313
Change in unrestricted net assets	**253,247**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**253,247**
Inherent contribution of restricted net assets received in the acquisition of NYP/Lawrence Hospital *(Note 1)*	**–**	**18,060**	**4,684**	**–**	**–**	**–**	**–**	**–**	**22,744**
Restricted investment return and other	**–**	**615**	**–**	**–**	**–**	**–**	**–**	**–**	**615**
Changes in beneficial interest in net assets held by related organizations *(Note 7)*	**–**	**–**	**–**	**19,128**	**4,638**	**(4,487)**	**19,279**	**4,225**	**23,504**
Changes in net assets	**253,247**	**18,675**	**4,684**	**19,128**	**4,638**	**(4,487)**	**19,279**	**4,225**	**300,110**
Net assets at December 31, 2014	**$ 3,295,196**	**$ 18,675**	**$ 4,684**	**$ 768,042**	**$ 542,261**	**$ 216,944**	**$ 1,527,247**	**$ 249,621**	**$ 5,095,423**

See accompanying notes.

The New York and Presbyterian Hospital

Consolidated Statements of Cash Flows

	Year Ended December 31 2014	2013
	(In Thousands)	
Operating activities		
Change in net assets	**$ 300,110**	$ 866,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**259,938**	255,297
Amortization of deferred financing costs, deferred revenue, fair value adjustment to debt related to NYP/LMH acquisition and mortgage discount	**3,677**	2,603
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	**(83,186)**	(77,785)
Equity in earnings of common collective/commingled trusts and alternative investments	**(29,674)**	(85,627)
Net realized gains on sales of investment companies	**(8,840)**	(1,925)
Change in unrealized gains and losses	**12,489**	(39,576)
Restricted contributions	**(1,512)**	–
Deed of property, building, and equipment to Royal Charter Properties, Inc.	**16,160**	–
Inherent contribution received in the acquisition of NYP/Lawrence Hospital	**(104,962)**	–
Transfer of fixed assets from Royal Charter Properties, Inc.	**–**	(3,191)
Changes in operating assets and liabilities:		
Patient accounts receivable	**61,407**	(93,481)
Other assets	**(7,394)**	14,469
Beneficial interest in net assets held by related organizations	**(23,504)**	(290,540)
Accounts payable and accrued expenses	**60,402**	14,213
Accrued salaries and related liabilities	**24,975**	(35,383)
Due to/from related organizations – net	**(17)**	9,329
Other liabilities	**48,234**	27,483
Professional liabilities and other and related insurance recoveries receivable	**(19,587)**	6,391
Pension and postretirement benefit liabilities	**161,551**	(177,688)
Net cash provided by operating activities	**670,267**	390,647
Investing activities		
Net purchases of short-term investments	**(186,241)**	(111,726)
Acquisitions of property, buildings and equipment, net	**(414,081)**	(319,052)
Net purchases of assets limited as to use	**(2,895)**	(459,827)
Cash received in acquisition of NYP/Lawrence Hospital	**19,967**	–
Cash transferred to Royal Charter Properties, Inc.	**(23)**	–
Net cash used in investing activities	**(583,273)**	(890,605)
Financing activities		
Repayments of long-term debt	**(114,403)**	(98,164)
Proceeds from issuance of long-term debt	**–**	500,000
Payment of deferred financing costs	**–**	(8,537)
Restricted contributions	**1,512**	–
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	**83,186**	77,785
Net cash (used in) provided by financing activities	**(29,705)**	471,084
Net increase (decrease) in cash and cash equivalents	**57,289**	(28,874)
Cash and cash equivalents at beginning of year	**152,982**	181,856
Cash and cash equivalents at end of year	**$ 210,271**	$ 152,982
Supplemental disclosure of cash flow information		
Accruals for the acquisition of property and equipment	**$ 4,342**	$ –
Assets acquired under capitalized lease obligations	**$ 11,654**	$ 14,236

See accompanying notes.

1. Organization and Basis of Presentation and Significant Accounting Policies

Organization and Basis of Presentation: The accompanying consolidated financial statements include the accounts of The New York and Presbyterian Hospital (NYPH) and NYP Community Services, Inc. (Community Services), of which NYPH is the sole member. The reporting entity resulting from the consolidation of these entities is referred to herein as the "Hospital." All significant intercompany balances and transactions have been eliminated in consolidation.

NYPH is a tax-exempt organization that was incorporated under New York State not-for-profit corporation law. NYPH is a major academic medical center, providing a full range of inpatient and outpatient services, mainly to residents of the New York metropolitan area. The Board of Trustees of the NYPH consists of persons who have first been elected as members of New York-Presbyterian Foundation, Inc. (Foundation, Inc.), a New York State not-for-profit corporation. Foundation, Inc. is related to a number of organizations.

On July 1, 2013, New York Downtown Hospital (NYDH) and its controlled affiliates, an entity under common control with NYPH, merged into NYPH, at which time the operating facilities of NYDH became the sixth campus of NYPH, and NYDH was renamed New York-Presbyterian/Lower Manhattan Hospital (referred to herein as NYP/LMH or Lower Manhattan Hospital). This transaction was accounted for similar to a pooling of interests with retrospective adjustment in prior period financial statements for the period in which the entities were under common control. Therefore, the accompanying consolidated financial statements as of and for the years ended December 31, 2014 and 2013 reflect the financial position, operations, changes in net assets and cash flows of the Hospital, including NYP/LMH, as if the merger had been completed on September 6, 2012, the date that NYDH and NYPH came under common control.

On July 1, 2014 (the Acquisition Date), Community Services acquired Lawrence Hospital Center and Subsidiaries, consisting of a 291-bed approved acute care hospital located in Bronxville, New York, a certified home health agency, a certified hospice program, a bereavement center, a durable medical equipment company and Lawrence Medical Associates, P.C., a State of New York professional corporation, and renamed it NewYork-Presbyterian/Lawrence Hospital (referred to herein as NYP/Lawrence Hospital or Lawrence). Community Services acquired NYP/Lawrence Hospital by means of an inherent contribution, in which no consideration was transferred by Community Services or NYPH. Community Services accounted for this business combination by applying the acquisition method and, accordingly, the inherent contribution

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

received was valued as the excess of the value of NYP/Lawrence Hospital's assets over liabilities. In determining the inherent contribution received, all assets and liabilities were measured at fair value as of the Acquisition Date. The results of Lawrence's operations have been included in the consolidated financial statements since the Acquisition Date.

The following table summarizes the estimated fair values of NYP/Lawrence Hospital's assets and liabilities at the Acquisition Date (in thousands):

Assets	
Cash and cash equivalents	$ 19,967
Patient accounts receivable, less allowance for uncollectibles	28,149
Other current assets	6,691
Assets limited as to use	123,905
Property, buildings and equipment – net	91,136
Other noncurrent assets – net	18,404
Total assets	288,252
Liabilities	
Accounts payable and accrued expenses	15,082
Other current liabilities	15,739
Long-term debt	35,616
Pension liability	71,544
Other noncurrent liabilities	45,309
Total liabilities	183,290
Excess of assets over liabilities	$ 104,962
Net assets acquired	
Unrestricted	$ 82,218
Temporarily restricted	18,060
Permanently restricted	4,684
Total net assets	$ 104,962

Although NYPH and Community Services have been consolidated for financial statement presentation, there may be limitations on the use of one entity's funds by another member of the consolidated group resulting from the charitable nature of some of the entities or other factors.

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

The following table summarizes amounts attributable to NYP/Lawrence Hospital from the Acquisition Date through December 31, 2014 that are included in the accompanying 2014 consolidated statement of operations and consolidated statement of changes in net assets (in thousands):

	Period From July 1, 2014 to December 31, 2014
Net patient service revenue, less provision for bad debts	$ 107,835
Other revenue	3,148
Total operating revenues	110,983
Total operating expenses	112,505
Operating income	(1,522)
Investment loss	(441)
Deficiency of revenue over expenses	(1,963)
Change in pension and postretirement benefit liabilities to be recognized in future periods	(24,723)
Change in unrestricted net assets	$ (26,686)
Change in temporarily restricted net assets	$ 615
Change in permanently restricted net assets	$ –

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

The following table represents unaudited pro forma financial information for the Hospital, assuming the acquisition of NYP/Lawrence Hospital had taken place on January 1, 2013 (in thousands). The unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected on January 1, 2013 and excludes the unrestricted contribution received in the acquisition of NYP/Lawrence Hospital.

	Year Ended December 31 2014	2013
Net patient service revenue, less provision for bad debts	**$ 4,425,913**	$ 4,222,244
Other revenue	**266,159**	273,905
Total operating revenues	**4,692,072**	4,496,149
Total operating expenses	**4,455,792**	4,291,334
Operating income	**236,280**	204,815
Investment return and other	**64,577**	159,080
Excess of revenue over expenses	**300,857**	363,895
Other changes in unrestricted net assets	**(149,946)**	272,191
Change in unrestricted net assets	**$ 150,911**	$ 636,086
Change in temporarily restricted net assets	**$ 21,248**	$ 264,856
Change in permanently restricted net assets	**$ 4,225**	$ 9,882

The following is a summary of significant accounting policies:

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, such as estimated uncollectibles for accounts receivable for services to patients, valuation of alternative investments, estimated settlements with third-party payors, professional liabilities and pension and postretirement benefit liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term.

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Cash and Cash Equivalents and Short-term Investments: The Hospital classifies as cash equivalents all highly liquid financial instruments with a maturity of three months or less when purchased, excluding those held in short-term investments and assets limited as to use. Investments that are readily marketable and that are not classified as assets limited as to use are considered short-term investments and are classified as current assets. Short-term investments are used for cash management purposes and consist of cash and cash equivalents, fixed income and equity securities. At December 31, 2014 and 2013, the Hospital's cash and cash equivalents include money market funds and interest-bearing accounts that are not fully insured by the U.S. government.

Receivables for Patient Care: Patient accounts receivable for which the Hospital receives payment under cost reimbursement, prospective payment formulae or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payors, which are generally less than the established billing rates of the Hospital.

The amount of the allowance for uncollectibles is based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators. Additions to the allowance for uncollectibles result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for uncollectibles.

Supplies: Supplies, which are determined on the first-in, first-out method, are stated at the lower of cost or market value. Supplies are used in the provision of patient care and are not held for sale.

Investments and Investment Return: All investments (excluding interests in common collective/commingled trusts and alternative investments) are carried at fair value based on quoted market prices and are classified as trading investments. Common collective/commingled trusts are reported in the accompanying consolidated statements of financial position based upon net asset values derived from the application of the equity method of accounting. See Note 9 for a description of the accounting policies related to assets held in the Hospital's defined benefit pension plans.

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Alternative investment interests generally are structured such that the Hospital holds a limited partnership interest or an interest in an investment management company. The Hospital's ownership structure does not provide for control over the related investees and the Hospital's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment.

Individual investment holdings within the alternative investments include non-marketable and market-traded debt, equity and real asset securities and interests in other alternative investments. The Hospital may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Alternative investments often have liquidity restrictions under which the Hospital's capital may be divested only at specified times.

Alternative investments are reported in the accompanying consolidated statements of financial position based upon net asset values derived from the application of the equity method of accounting. Financial information used by the Hospital to evaluate its alternative investments is provided by the investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Hospital's annual financial statement reporting.

There is uncertainty in the accounting for alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

Investments received as a gift are recorded at fair value on the date of contribution.

All investment transactions are recorded on the dates such trades take place. Realized gains and losses on sales of marketable securities are based on the average cost method. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Investment return is included within the performance indicator in the accompanying consolidated statements of operations, unless restricted by donor or law. Investment returns are reported net of investment expenses.

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Assets Limited as to Use: Assets so classified represent investments whose use is restricted for specific purposes under internal and/or external designation, terms of loan agreements and for self-insured professional liabilities. Assets limited as to use which are internally designated for funded depreciation represent amounts that will be expended in future periods for acquisitions of property, buildings and equipment. Assets limited as to use required to meet current liabilities and current year pledges receivable held by NYP/Lawrence Hospital are reported as current assets.

Beneficial Interest in Net Assets Held by Related Organizations: The Hospital recognizes its accumulated interest in the net assets held by New York Presbyterian Fund, Inc. (Fund, Inc.) and The New York Weill Cornell Medical Center Fund, Inc. (WCMC Fund) as beneficial interest in net assets held by related organizations in its consolidated statements of financial position and also recognizes the periodic changes in such interests in its consolidated statements of changes in net assets.

Property, Buildings, and Equipment: Property, buildings, and equipment purchased are recorded at cost and those acquired through gifts and bequests are carried at appraised or fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Depreciation of buildings, building improvements, and fixed equipment is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation of movable equipment is recorded using the sum-of-the-years-digits method. Equipment under capital lease obligations and leasehold improvements is amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term. Such amortization is included in depreciation and amortization in the accompanying consolidated statements of operations.

Deferred Financing Costs: Capitalized financing costs are included in other noncurrent assets and are amortized using the effective interest method over the term that the related debt is expected to be outstanding.

Classification of Net Assets: The Hospital separately accounts for and reports donor restricted and unrestricted net assets. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Hospital and an outside party other than the donor or grantor.

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time frame or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Net Patient Service Revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Operating Leases: Scheduled base rent increases under operating leases are recognized as rental expense on a straight-line basis over the lease term.

Program Services: The Hospital's program services consist of providing health care and related services, including graduate medical education. For the years ended December 31, 2014 and 2013, expenses related to providing these services are summarized as follows (in thousands):

	2014	**2013**
Health care and related services	**$ 3,523,022**	$ 3,331,125
Program support and general services	**833,196**	731,222
	$ 4,356,218	$ 4,062,347

The Hospital maintains academic affiliations with two medical colleges: The Columbia University College of Physicians & Surgeons and the Joan and Sanford I. Weill Medical College of Cornell University (collectively, the Schools). Transactions occur on a routine basis between the Hospital and the Schools, based upon arrangements between the parties.

1. Organization and Basis of Presentation and Significant Accounting Policies (continued)

Performance Indicator: The accompanying consolidated statements of operations include excess of revenues over expenses as the performance indicator. Excluded from the performance indicator are permanent transfers of assets to or from related entities and changes in pension and postretirement benefit liabilities to be recognized in future periods.

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and operating expenses and included in operating income. Investment return and certain transactions of an infrequent nature are excluded from operating income.

Tax Status: The entities comprising the Hospital, with the exception of LC Services, Inc., are Section 501(c)(3) organizations exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. These entities are also exempt from New York State income taxes. NYPH is exempt from New York City income taxes.

LC Services, Inc. is an inactive for-profit durable medical equipment company.

Reclassifications: Certain categories within investments were reclassified in Notes 7 and 13 from the 2013 presentation in order to conform with the 2014 presentation. These reclassifications have no impact on the net assets previously reported.

Recent Accounting Pronouncement: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09 are effective for the Hospital for annual reporting periods beginning after December 15, 2016, although subject to postponement. Early application is not permitted. The Hospital has not completed the process of evaluating the impact of ASU 2014-09 on the consolidated financial statements.

2. Net Patient Service Revenue

Net Patient Service Revenue and Accounts Receivable

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). For uninsured and under-insured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of charges. Under the charity care policy, a patient who has no insurance or is under-insured and is ineligible for any government assistance program has his or her bill reduced to (1) the lesser of charges or the Medicaid diagnostic-related group for inpatient and (2) a discount from rates of the highest volume commercial payor for outpatient. The effect of this policy on the consolidated financial statements is lower net patient service revenue, as the discount is considered an allowance.

Patient service revenue for the years ended December 31, 2014 and 2013, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows (in thousands):

	2014	2013
Third-party payors	**$ 4,292,014**	$ 3,974,176
Self-pay	**81,517**	76,456
	$ 4,373,531	$ 4,050,632

Accounts receivable is recorded at its expected net realizable value. In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identify trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

The allowance for doubtful accounts for self-pay patients was approximately 46% and 52% of self-pay accounts receivable as of December 31, 2014 and 2013, respectively. The Hospital did not experience significant changes in write-off trends and did not change its charity care policy in 2014 or 2013.

2. Net Patient Service Revenue (continued)

Third-Party Payment Programs

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

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

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

The Hospital has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and Hospital-specific data. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2001 for NYPH, 2008 for NYP/LMH and 2011 for NYP/Lawrence Hospital. Other years and various issues remain open for audit and settlement, as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled, audits are completed and additional information

2. Net Patient Service Revenue (continued)

is obtained. The current Medicaid, Medicare and other third-party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. Non-compliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospital is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believe that it is in compliance with all applicable laws and regulations.

During 2014 and 2013, the Hospital revised estimates made in prior years to reflect the passage of time and the availability of more recent information, such as settlement activity, associated with the related payment items. For the years ended December 31, 2014 and 2013, the net effect of the Hospital's revisions to prior year estimates resulted in net patient service revenue increasing by approximately $48.9 million and $38.4 million, respectively.

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

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. Significant concentrations of patient accounts receivable at December 31, 2014 and 2013, are as follows:

	2014	**2013**
Medicare	**17%**	21%
Medicaid	**16**	17
Commercial carriers and health maintenance organizations	**55**	55
Self-pay patients	**12**	7
	100%	100%

2. Net Patient Service Revenue (continued)

Revenue from the Medicare and Medicaid programs accounted for approximately 42% and 44% of the Hospital's net patient service revenue for the years ended December 31, 2014 and 2013, respectively.

Uncompensated Care and Community Benefit Expense

The Hospital's commitment to community service is evidenced by services provided to special populations such as minorities, the elderly, persons with disabilities, the mentally ill, persons with AIDS and poor persons (Special Populations) and benefits provided to the broader community. Services provided to such Special Populations include services provided to persons who cannot afford health care because of inadequate resources and who are uninsured or underinsured.

The Hospital provides quality medical care regardless of race, creed, sex, sexual orientation, national origin, handicap, age or ability to pay. Although reimbursement for services rendered is critical to the operations and stability of the Hospital, the Hospital recognizes that not all individuals have the ability to pay for medically necessary services and, furthermore, the Hospital's mission is to serve the community with respect to health care. Therefore, in keeping with the Hospital's commitment to serve members of the community, the Hospital provides uncompensated care through: medical care to the indigent for free or discounted prices (charity care/financial aid) and care to persons covered by governmental programs that pay the Hospital less than the full cost of services provided. In addition, the Hospital provides significant community benefit activities which include wellness programs, community education programs, health screenings and a broad variety of community support services, health professionals' education, school based programs, and subsidized health services.

The Hospital believes it is important to quantify comprehensively the benefits it provides to the community, which is an area of emphasis for not-for-profit health care providers. The costs of uncompensated care and community benefit activities are derived from various Hospital records. Amounts for activities as reported below are based on estimated and actual data, subject to changes in estimates upon the finalization of the Hospital's cost report and other government filings. The amounts reported below are calculated in accordance with guidelines prescribed by the Internal Revenue Service (IRS); 2013 estimates have been updated to reflect actual amounts. The net cost of charity care includes the direct and indirect cost of providing charity care services, offset by revenues received from indigent care pools and other subsidies. The cost is

2. Net Patient Service Revenue (continued)

estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. Funds received to offset bad debt and charity services totaled approximately $54.5 million and $53.4 million for the years ended December 31, 2014 and 2013, respectively, including approximately $52.6 million and $51.7 million, respectively, from the indigent care pool under the New York State Medicaid program. The charity care component of the indigent care pool payments (approximately 64% for 2014 and 2013) is estimated utilizing a ratio of charity care charges to total charity care and bad debt charges applied to the indigent care pool reimbursement.

Costs related to uncompensated care and community benefit activities are summarized for the years ended December 31, 2014 and 2013 as follows (in thousands):

	2014	2013
Charity care, net[a]	**$ 35,224**	$ 27,945
Means-tested programs[b]	**246,314**	231,447
Other community benefits[c][d]	**395,645**	337,630
Total charity care and other community benefits	**$ 677,183**	$ 597,022

Charity care, at cost, and means-tested programs include the following (and exclude losses incurred on providing services to Medicare patients):

[a] *Charity Care:* As part of its charity care and financial aid policy, the Hospital obtains and uses additional financial information for uninsured or under-insured patients who have not supplied the requisite information to qualify for charity care. The additional information obtained is used by the Hospital to determine whether to qualify patients for charity care and/or financial aid in accordance with the Hospital's policies.

The Hospital makes available free care programs for qualifying patients under its charity care and financial aid policy. During the registration, billing and collection process, a patient's eligibility for free care funds is determined. For patients who do not receive free care and who are determined to be eligible for charity care in the form of discounted medical services under the Hospital's charity care and financial aid policy, care given but not paid for is classified as charity care. For patients who were determined by the Hospital to have the ability to pay but did not, the uncollected amounts are classified as provision

2. Net Patient Service Revenue (continued)

for bad debt (approximately \$59.5 million in 2014 and \$54.1 million in 2013). Distinguishing between bad debt and charity care is difficult, in part because services are often rendered prior to full evaluation of a patient's ability to pay.

Annually, the Hospital accrues for potential losses that meet the definition of charity care (including free and discounted medical care) allowances.

(b) *Means-Tested Programs:* Community benefits include losses incurred in providing services to patients who participate in certain public health programs such as Medicaid. Payments received by the Hospital for patient services provided to Medicaid program participants are less than the actual cost of providing such services. Therefore, to the extent Medicaid payments are less than the cost of care provided to Medicaid patients, the uncompensated cost of that care is considered to be a community benefit.

Other community benefits include the following:

(c) *Community Health Improvement Services and Community Benefit Operations:* The Hospital is committed to serving the vast array of neighborhoods comprising its service area and recognizes the importance of preserving a local community focus to effectively meet community need. The Hospital adheres to a single standard for assessing and meeting community need, while retaining a geographically focused approach for soliciting community participation and involvement and providing community outreach.

The Hospital has fostered continued community participation and outreach activities through linkages with numerous community-based groups. Community health improvement services and related operations include clinical services, screening and exams, and other education or support services in areas such as the following: asthma, behavioral health, cancer, children's health, community-based outreach and health education, digestive diseases, emergency services/emergency preparedness, heart disease, HIV/AIDS, neuroscience, vascular disease and women's health (a complete description of each service can be found in the Hospital's annual community service plan).

(d) *Health Professions Education:* Helping to prepare future health care professionals is a distinguishing characteristic of major academic not-for-profit teaching hospitals and constitutes a significant community benefit. The Hospital has a world renowned residency

2. Net Patient Service Revenue (continued)

program and trains approximately 1,700 residents each year in all clinical programs (the programs are in two medical schools and cover 147 accredited graduate medical education programs). The Hospital is committed to offering quality graduate medical education programs as part of its education mission.

3. Investments and Assets Limited as to Use

The composition and reported value of assets limited as to use, excluding assets held by related organizations (see Note 7), at December 31, 2014 and 2013, consist of the following (in thousands):

	2014	**2013**
Marketable securities, carried at fair value *(Note 13)*	**$ 997,490**	$ 915,198
Investments accounted for using the equity method:		
Equities and bonds held in common collective/commingled trusts:		
U.S. equities	**82,306**	80,106
Corporate bonds	**5,195**	16,797
Non-U.S. equities	**124,291**	118,827
Non-U.S. government bonds	**12,302**	11,859
Total equities and bonds held in common collective/commingled trusts	**224,094**	227,589
Hedge funds	**197,731**	168,415
Private equity	**154,933**	131,904
Private real assets	**94,311**	75,714
Total investments accounted for using the equity method	**671,069**	603,622
Pledges receivable – net	**2,914**	–
Total assets limited as to use	**1,671,473**	1,518,820
Less current portion	**32,788**	28,390
Assets limited as to use – noncurrent	**$ 1,638,685**	$ 1,490,430

See Note 13 for a description of the common collective/commingled trusts, hedge funds, private equity and private real asset categories.

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

Assets limited to use at December 31, 2014 and 2013, are limited to the following uses (in thousands):

	2014	2013
Funded depreciation	**$ 944,102**	$ 834,473
Funds held under loan agreements	**622,089**	640,562
Employee benefit funds	**30,960**	25,045
Funded self-insurance (professional liabilities) *(Note 8)*	**20,894**	15,125
Secured letters of credit	**3,465**	3,460
Investments held by captive insurance company *(Note 8)*	**26,604**	–
Donor restricted	**23,359**	155
	$ 1,671,473	$ 1,518,820

Funds held under loan agreements are for the following purposes (in thousands):

	2014	2013
Construction escrow *(Note 5)*	**$ 488,894**	$ 500,149
Mortgage reserve funds	**119,156**	118,035
Escrow fund *(Note 5)*	**1,002**	10,576
Capital reserve fund	**3,523**	3,522
Debt service fund	**7,476**	3,544
Capital lease agreements *(Note 5)*	**142**	142
Other	**1,896**	4,594
	$ 622,089	$ 640,562

Investment return for the years ended December 31, 2014 and 2013, consisted of the following (in thousands):

	2014	2013
Interest and dividend income	**$ 36,860**	$ 26,817
Net realized gains on sales of investments	**8,840**	1,925
Equity in earnings of common collective/commingled trusts and alternative investment companies	**29,674**	85,627
Net change in unrealized gains and losses	**(12,489)**	39,576
	$ 62,885	$ 153,945

4. Property, Buildings, and Equipment

A summary of property, buildings, and equipment at December 31, 2014 and 2013 follows (in thousands):

	2014	2013
Land and land improvements	**$ 224,700**	$ 240,882
Buildings, building improvements, and fixed equipment	**2,837,031**	3,514,441
Movable equipment	**814,534**	1,256,524
Leasehold improvements	**5,762**	11,171
	3,882,027	5,023,018
Less accumulated depreciation and amortization	**1,820,835**	3,041,724
	2,061,192	1,981,294
Construction-in-progress	**343,496**	187,924
	$ 2,404,688	$ 2,169,218

Substantially all property, buildings and equipment have been pledged as collateral under various debt agreements (see Note 5).

At December 31, 2014 and 2013, assets recorded in connection with capital leases aggregated approximately $101.1 million and $162.2 million, respectively, with accumulated amortization aggregating approximately $75.2 million and $129.7 million, respectively.

The Hospital leases certain buildings from Royal Charter Properties – Westchester, Inc., a related entity (see Note 10).

5. Long-Term Debt

A summary of long-term debt at December 31, 2014 and 2013 follows (in thousands):

	2014	2013
FHA Section 242 insured mortgage loan – 1998 – Downtown Campus[a]	**$ 242,591**	$ 271,725
FHA Section 242 insured mortgage loans – 2004 – Uptown Campus[b]	**14,743**	56,832
FHA Section 241 insured mortgage loan – 2007[c]	**246,427**	255,268
Secured hospital revenue refunding bonds – 2011 – NYP/LMH Campus[d]	**29,660**	32,570
Beekman mortgage payable[e]	**–**	7,352
FHA Section 241 insured mortgage loan – 2013[f]	**486,076**	497,277
Series 1998 bonds payable – NYP/Lawrence Hospital[g]	**11,165**	–
Term loan payable – NYP/Lawrence Hospital[h]	**23,761**	–
Capital leases[i]	**45,482**	53,615
	1,099,905	1,174,639
Add unamortized fair value adjustment related to NYP/LMH acquisition	**1,699**	2,157
Less current portion	**80,512**	113,411
Long-term portion	**$ 1,021,092**	$ 1,063,385

[a] *FHA Section 242 Insured Mortgage Loan – 1998:* NYPH's original mortgage agreement with the Dormitory Authority of the State of New York (DASNY) is insured under the provisions of the U.S. Department of Housing and Urban Development Federal Housing Agency (FHA) Section 242 mortgage insurance program.

During 2005, NYPH received $8.4 million from DASNY in relation to a release of assets held by DASNY in reserve under the mortgage note and recorded the receipts as an increase to NYPH's deferred revenue balance in the accompanying consolidated statement of financial position. The deferred revenue is being amortized over the remaining life of the mortgage using the effective interest method.

In August 2009, NYPH completed the final endorsement of the FHA Section 242 Insured Mortgage Loan – 1998. The remaining amortization schedule was finalized with principal and interest payments due through July 1, 2025. The terms of the mortgage were amended and, effective September 1, 2009, interest was to be paid at a fixed annual rate of 5.99% of

5. Long-Term Debt (continued)

the unpaid balance until the loan was fully paid. As a result of the final endorsement, DASNY released to NYPH an additional $40.8 million of unused proceeds from the initial mortgage loan and NYPH received approximately $2.9 million from the IRS related to prior years' bond proceeds arbitrage, all used for certain capital projects and as additional equity for the December 2010 transaction (see below). Additionally, the final endorsement resulted in NYPH's debt escrow fund (approximately $12.5 million at final endorsement) being released for partial payment of the debt obligation at various future intervals.

In December 2010, DASNY assigned NYPH's mortgage to Prudential Huntoon Paige Associates, Ltd. (Prudential). In connection therewith, DASNY bonds were defeased and Prudential issued new Government National Mortgage Association bonds to fund the mortgage loan. This transaction resulted in a reduction in the interest rate of the mortgage loan, effective December 15, 2010, to a fixed rate of 4.22% over the remaining term and required NYPH to make an equity contribution of $23.8 million ($15.1 million of the equity contribution was made, with the remaining balance of amounts held in assets limited as to use as part of the final endorsement). The equity contribution is being amortized over the remaining life of the mortgage using the effective interest method and has a balance in noncurrent assets, net of accumulated amortization, of approximately $12.5 million and $14.9 million at December 31, 2014 and 2013, respectively. All other material terms of the mortgage remained the same.

(b) *FHA Section 242 Insured Mortgage Loans – 2004:* NYPH has two mortgage loans, with identical terms most recently amended in 2004, issued through DASNY. The two mortgage loans are insured under the provisions of the FHA Section 242 mortgage insurance program. The mortgage loans are payable monthly through April 2015 and carry an interest rate of 7.5%. In connection with a 1998 revision to one of the original mortgage notes, deferred revenue with an initial balance of $29.5 million was recognized, reflecting the present value of the interest rate savings that were advanced to NYPH upon creation of the 1998 mortgage. The deferred revenue is being amortized over the remaining life of the mortgage using the effective interest method.

(c) *FHA Section 241 Insured Mortgage Loan – 2007*: In September 2007, DASNY issued $296.1 million of The New York and Presbyterian Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2007. A portion of the proceeds of the bonds was used to fund a mortgage loan from DASNY to NYPH. The maximum principal amount of $278.5 million incorporated a discount of $5.4 million. The mortgage is insured under the

5. Long-Term Debt (continued)

provisions of the FHA Section 241 mortgage insurance program. The mortgage bore interest at a rate of 6.5% through May 31, 2010 and 4.9% through July 31, 2012 (in addition, NYPH paid an incremental rate of 1.6% until final endorsement). On August 7, 2012, NYPH completed final endorsement and the terms of the mortgage were amended and, effective August 1, 2012, interest was to be paid at a rate of 4.55%. The remaining amortization schedule was finalized, with principal and interest payments through June 1, 2035. In addition, the final endorsement resulted in the termination of NYPH's letter of credit with a bank that provided security for equity contributions required under the plan of financing.

In December 2012, DASNY assigned NYPH's mortgage loan to Prudential. In connection therewith, the DASNY bonds were refunded and Prudential issued new Government National Mortgage Association securities to fund NYPH's mortgage. This transaction resulted in a reduction in the interest rate on the mortgage loan to a fixed rate of 2.74% over the remaining term of the loan, effective December 13, 2012. All other material terms of the mortgage remained the same.

(d) *Secured Hospital Revenue Refunding Bonds – 2011:* In March 2011, NYP/LMH issued $32.6 million of Secured Hospital Revenue Refunding Bonds – 2011 through DASNY. The bonds bear interest at a fixed interest rate of 5%, payable semi-annually, with a final maturity date of February 15, 2022. NYP/LMH has granted to DASNY, with certain permitted exceptions, a security interest in gross receipts and certain fixtures, furnishings and equipment that secure the payment of the debt. The bonds are further secured by amounts, if required, that would be payable under a service contract between DASNY and the State of New York.

In January 2005, in connection with the then outstanding NYP/LMH Series 1998 Bonds, DASNY required NYP/LMH to fund an escrow account with two years of principal and interest payments on the outstanding bonds (approximately $10.6 million at December 31, 2013 (see Note 3)). In May 2014, NYPH obtained approval from DASNY to release the funds from the escrow account.

5. Long-Term Debt (continued)

(e) *Beekman Mortgage Payable:* In July 1977, NYP/LMH, through an affiliate, entered into an agreement with the New York City Housing Development Corporation (HDC), whereby the then existing mortgage agreement was modified and the mortgage debt was divided into a senior mortgage (bore interest at 7.25%), which was insured by the U.S. Secretary of Housing and Urban Development (HUD) and a junior mortgage (bore interest at 7.82%) which was held by HDC. HDC administered both the senior and junior mortgages.

In September 2014, the mortgage was transferred to Royal Charter Properties, Inc. (RCP, Inc.) in connection with the deeding of the mortgaged property, building and equipment to RCP, Inc. (see Note 10). Concurrently, the debt was refinanced by RCP, Inc. through a commercial bank.

(f) *FHA Section 241 Insured Mortgage Loan – 2013:* In September 2013, NYPH executed a \$500.0 million mortgage note with Prudential. The mortgage note bears interest at a fixed interest rate of 4.5%, payable semi-annually. The loan has a final maturity of September 1, 2038, principal payable annually. The proceeds of the loan were issued to a construction escrow account and are to be used to construct an ambulatory care center and for related costs (see Note 3). NYPH incurred approximately \$8.5 million of financing costs in connection with the issuance of the loan that will be amortized over the life of the loan.

(g) *Series 1998 Bonds Payable:* In June 1998 and December 1998, the County of Westchester Industrial Development Agency issued \$10.7 million of Series 1998A bonds and \$10.8 million of Series 1998B bonds. The Series 1998A bonds mature at varying dates through January 1, 2018, with fixed interest rates ranging from 3.80% to 5.13% payable semiannually. The Series 1998B bonds mature at varying dates through January 1, 2028, with fixed interest rates ranging from 4.20% to 5.00% payable semiannually.

(h) *Term Loan Payable:* In September 2013, Lawrence signed a term loan agreement with TD Bank, NA. The initial principal amount of the loan was \$25.7 million to be used for the construction of a new three-story building to house a new surgery and oncology center and a six-room operating suite on Lawrence's property. The loan is payable over 144 months. Interest is charged on the amount outstanding at a fixed rate of 4.29% per annum.

5. Long-Term Debt (continued)

Estimated principal payments under all long-term debt (reflective of amounts obligated to date) for the next five years and thereafter consist of the following (in thousands):

2015	$ 65,718
2016	46,757
2017	48,696
2018	50,719
2019	51,962
Thereafter	790,571

Pursuant to debt agreements, NYPH and NYP/Lawrence Hospital are required to maintain certain debt service funds, including mortgage reserve funds. In addition, NYPH and NYP/Lawrence Hospital are required to maintain certain working capital, debt service coverage and other financial ratios and financial conditions, and to obtain approval to incur additional debt above specified levels if certain covenant requirements are not met. Through December 31, 2014 and 2013, NYPH and NYP/Lawrence Hospital were in compliance with the financial covenants. The mortgages are collateralized by substantially all of NYPH and NYP/Lawrence Hospital's property, buildings and equipment and gross receipts derived from operations.

In February 2015, NYPH issued $750.0 million in unsecured taxable bonds. The bonds bear interest at a fixed rate of 4.0%. The bonds have a final maturity date of August 1, 2045.

(i) *Capital Leases:* Certain equipment leases are the equivalent of an installment purchase for purposes of financial statement reporting. The lenders hold a first security interest in the financed equipment. NYPH has entered into several capital lease financing agreements with commercial lenders in conjunction with DASNY's tax-exempt lease program. The total amount outstanding related to the tax-exempt lease program is approximately $6.4 million and $13.4 million at December 31, 2014 and 2013, respectively. The Hospital entered into several other capital leases in 2014 and 2013, totaling approximately $11.7 million and $14.2 million, respectively. Interest rates related to the Hospital's outstanding capital lease obligations range from 1.7% to 6.5%.

5. Long-Term Debt (continued)

Following is a summary of payments due under capital lease obligations for the years ending December 31 (in thousands):

2015	$	16,467
2016		12,405
2017		9,492
2018		4,965
2019		2,786
Thereafter		2,292
		48,407
Less imputed interest		2,925
	$	45,482

Interest paid under all borrowings for the years ended December 31, 2014 and 2013 aggregated approximately $46.9 million and $39.6 million, respectively.

NYPH has a $100.0 million unsecured line of credit agreement with a bank which expires on June 30, 2015. NYP/Lawrence Hospital has a $5.0 million revolving loan agreement with TD Bank, N.A. The line of credit is renewable annually. There were no borrowings on the lines of credit during the year ended December 31, 2014.

6. Operating Leases

Total rental expense for the years ended December 31, 2014 and 2013, aggregated approximately $60.6 million and $56.9 million, respectively. Sublease income and contingent rentals were not significant. The Hospital leases certain properties owned by related entities (see Note 10).

Future minimum lease payments under non-cancellable operating leases with initial or remaining terms of one year or more at December 31, 2014, consisted of the following (in thousands):

2015	$	56,302
2016		47,341
2017		44,621
2018		41,842
2019		39,289
Thereafter		102,701

7. Beneficial Interest in Net Assets Held by Related Organizations

The Hospital recognizes its accumulated interest in net assets held by Fund, Inc. and WCMC Fund, which were as follows at December 31, 2014 and 2013 (in thousands):

	2014	2013
Temporarily restricted:		
Fund, Inc.:		
Building and equipment replacement	**$ 768,042**	$ 748,914
Specific purpose health care services	**542,261**	537,623
Endowment earnings restricted for specific-purpose health care services	**216,944**	221,431
	1,527,247	1,507,968
Permanently restricted:		
Fund, Inc. – Investments to be held in perpetuity	**213,726**	211,090
WCMC Fund – Investments held in perpetual trust	**35,895**	34,306
	249,621	245,396
Total beneficial interest in net assets held by related organizations	**1,776,868**	1,753,364
Less current portion	**78,699**	68,420
	$ 1,698,169	$ 1,684,944

Permanently restricted net assets that are included in the beneficial interest in net assets held by related organizations represent endowments that have been restricted by donors to be maintained in perpetuity and are held by Fund, Inc. and WCMC Fund on behalf of the Hospital. The Hospital follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanently restricted contributions and net assets.

The Hospital has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. The Hospital classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Accumulations to the permanent endowment are used in accordance with the direction of the applicable donor gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the amounts are appropriated for expenditure

7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

in accordance with a standard of prudence prescribed by NYPMIFA. The Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservation of the fund; (ii) the purposes of the Hospital and the donor-restricted endowment fund; (iii) general economic conditions; (iv) the possible effects of inflation and deflation; (v) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Hospital; (vi) the expected total return from income and the appreciation of investments; (vii) other resources of the Hospital and (viii) the investment and spending policies of the Hospital. Fund, Inc.'s endowment investment returns distribution policy, which applies to the Hospital, allows for expenditures of investment return only, at a rate not to exceed 4.5% of the permanently restricted net asset balance on an annual basis.

The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding related to the endowment funds, while seeking to maintain the purchasing power of the funds. To satisfy long-term return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Hospital employs a long-term equity oriented strategy of investing in both traditional and alternative asset classes.

7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

Assets held by Fund, Inc. and WCMC Fund for the benefit of the Hospital consist of pledges and investments (at fair value) that represent allocated amounts from Fund, Inc.'s pooled investments portfolio and WCMC Fund's interest in a perpetual trust. These assets are comprised of the following at December 31, 2014 and 2013 (in thousands):

	2014	2013
Marketable securities:		
Cash and cash equivalents	**$ 103,271**	$ 86,717
Fixed income:		
U.S. government	**119,919**	92,467
Non-U.S. government	**11,229**	22,010
Corporate	**1,465**	8,378
Mortgage and asset backed	**–**	7,463
Other	**–**	2,463
Common collective/commingled trusts	**24,574**	43,814
Equities:		
U.S. equities	**91,625**	98,857
Non-U.S. equities	**70,824**	75,790
Common collective/commingled trusts	**245,716**	249,116
Real assets	**31,811**	18,185
Total marketable securities	**700,434**	705,260
Hedge funds	**268,226**	251,017
Private equity	**186,463**	178,386
Private real assets	**112,948**	98,388
Total investments	**1,268,071**	1,233,051
Pledges receivable, net	**472,902**	486,007
	1,740,973	1,719,058
WCMC Fund:		
Investment held in perpetual trusts	**35,895**	34,306
Total beneficial interests in net assets held by related organizations	**1,776,868**	1,753,364
Less current portion	**78,699**	68,420
	$ 1,698,169	$ 1,684,944

7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

The current portion of beneficial interest in net assets held by related organizations represents amounts the Hospital expects to receive and expend on operations in the subsequent year.

Pledges receivable by Fund, Inc., net of present value discount and valuation allowance of approximately $106.0 million and $119.0 million at December 31, 2014 and 2013, respectively, are to be paid as follows (in thousands):

	December 31	
	2014	**2013**
Less than one year	**$ 160,112**	$ 140,214
One to five years	**152,379**	181,326
Thereafter	**160,411**	164,467
	$ 472,902	$ 486,007

Fund, Inc. uses a discount and valuation allowance factor of 7.35%. The discount and valuation allowance reflects the time value of money and credit risk.

7. Beneficial Interest in Net Assets Held by Related Organizations (continued)

Changes in the net assets held by Fund, Inc. and WCMC Fund on the Hospital's behalf are recognized in the Hospital's consolidated statements of changes in net assets for the years ended December 31, 2014 and 2013, and are summarized as follows (in thousands):

	Temporarily Restricted					
	Plant Replacement	Specific Purpose	Endowment Earnings	Total Temporarily Restricted	Permanently Restricted	Total Interest in Net Assets
Year ended December 31, 2014						
Gifts, bequests, and similar items	**$ 88,461**	**$ 47,240**	**$ –**	**$ 135,701**	**$ 4,272**	**$ 139,973**
Net investment income and realized and unrealized gains and losses	**24,561**	**28,418**	**745**	**53,724**	**(47)**	**53,677**
Net assets released from restrictions for administrative and fund raising costs	**(8,215)**	**(5,861)**	**(4,744)**	**(18,820)**	**–**	**(18,820)**
Net assets released from restrictions for program expenditures	**(13,199)**	**(65,056)**	**(444)**	**(78,699)**	**–**	**(78,699)**
Net assets released from restrictions for distribution to the Hospital for the purchase of fixed assets	**(72,480)**	**(103)**	**(44)**	**(72,627)**	**–**	**(72,627)**
Changes in net assets	**$ 19,128**	**$ 4,638**	**$ (4,487)**	**$ 19,279**	**$ 4,225**	**$ 23,504**
Year ended December 31, 2013						
Gifts, bequests, and similar items	$ 194,792	$ 96,178	$ –	$ 290,970	$ 2,727	$ 293,697
Net investment income and realized and unrealized gains and losses	61,984	43,779	29,215	134,978	7,155	142,133
Net assets released from restrictions for administrative and fund raising costs	(7,073)	(5,697)	(4,856)	(17,626)	–	(17,626)
Net assets released from restrictions for program expenditures	(1,114)	(67,454)	(108)	(68,676)	–	(68,676)
Net assets released from restrictions for distribution to the Hospital for the purchase of fixed assets	(74,759)	(3,617)	(27)	(78,403)	–	(78,403)
Transfer of donor-restricted net assets related to Lower Manhattan Hospital	847	11,858	–	12,705	6,710	19,415
Changes in net assets	$ 174,677	$ 75,047	$ 24,224	$ 273,948	$ 16,592	$ 290,540

8. Insurance

Professional Liability Insurance: In 1978, the Hospital, in conjunction with a number of unrelated health care entities, participated in the formation of captive insurance companies (collectively, the Captive) to provide professional liability and general liability insurance to its participants. The premiums are based on a modified claims-made coverage and are actuarially determined based on the actual experience of the Captive, Hospital-specific experience, and estimated current exposure. The Captive has reinsurance coverage from reinsurers for certain amounts above its coverage level per claim limits.

The investments in the Captive are owned by Fund, Inc. Accordingly, insurance premiums are paid by the Hospital initially to Fund, Inc. (see Note 10).

Effective July 1, 2013, NYP/LMH is insured by the Captive. Prior to July 1, 2013, NYP/LMH was covered by various self-insured, claims-made and excess insurance policies. Most recently, effective July 1, 2009, NYP/LMH increased its claims-made self-insured program to $6.0 million with a retroactive date of August 6, 2003. The primary layer consists of $2.0 million per claim with a $10.0 million aggregate (the aggregate includes $1.5 million of general liability coverage) followed by an excess layer of $4.0 million per claim and aggregate limit (the excess excludes general liability). For this layer, however, NYP/LMH has the option to activate claims-made coverage from an insurance company for a specified premium. The purchase option can be activated at any point during the next seven years after inception and the coverage applies to all claims in the layer from the July 1, 2009 inception date.

Effective August 1, 2014, Lawrence is insured by the Captive. Effective November 15, 1998, Lawrence and certain other member hospitals of Stellaris Health Network (Stellaris), Lawrence's former active parent, participated in a combined insurance program that provided coverage through purchased primary and excess insurance on a claims-made basis. Effective January 1, 2004, Lawrence purchased excess professional liability insurance above its primary placement layer on a claims-made basis with a prepaid tail liability endorsement from a captive insurance company formed by Stellaris, NWLP Insurance Company Ltd. (NWLP). Effective June 30, 2014, NWLP implemented a segregated "cell captive" structure which replaced the previous insurance structure. Under this program, NWLP utilizes individual cells for each participating hospital, under which invested assets and insurance-related liabilities are segregated for each participant and there is no shared risk among the entities.

8. Insurance (continued)

Lawrence's investments under the cell captive structure and the related changes in its segregated account as reported by NWLP are recorded in the accompanying 2014 consolidated statement of financial position. At December 31, 2014, investments held by NWLP totaling approximately $26.6 million are included in assets limited as to use in the accompanying consolidated 2014 statement of financial position (see Note 3). Effective October 1, 2014, the NWLP prepaid tail liability endorsement was removed.

The Hospital's undiscounted estimate for professional liabilities and the estimate for incidents that have been incurred but not reported aggregated approximately $430.8 million and $422.4 million at December 31, 2014 and 2013, respectively, and is included in professional liabilities in the accompanying statements of financial position at the actuarially determined present value of approximately $392.9 million and $381.4 million, respectively, based on a discount rate of 3.0% for each of the years ended December 31, 2014 and 2013 (the NYP/LMH self-insured liability of approximately $19.8 million and $26.1 million at December 31, 2014 and 2013, respectively, is undiscounted). The Hospital has recorded related insurance recoveries receivable of approximately $241.9 million and $226.2 million at December 31, 2014 and 2013, respectively, in consideration of the expected insurance recoveries for the total discounted modified claims-made insurance. Funded amounts (approximately $20.9 million and $15.1 million at December 31, 2014 and 2013, respectively, aside from the investments held in the segregated cell) have been placed in a separate account and are included in assets limited as to use in the accompanying consolidated statements of financial position. The current portion of professional liabilities and the related insurance recoveries receivable represents an estimate of expected settlements and insurance recoveries over the next 12 months.

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

8. Insurance (continued)

Workers' Compensation Insurance: Prior to April 1, 1999, the Hospital was self-insured for workers' compensation claims. Since April 1, 1999, the Hospital has purchased insurance through the New York State Insurance Fund in a program that effectively transfers risk from the Hospital. At December 31, 2014 and 2013, the estimate for self-insured workers' compensation claims and incurred but not reported liabilities prior to April 1, 1999, aggregated approximately $9.0 million and $10.6 million, respectively, and is included in professional liabilities in the accompanying consolidated statements of financial position.

In connection with the workers' compensation self-insurance programs, the Hospital maintains two letters of credit through banks in the aggregate amount of approximately $13.2 million, which satisfies the collateral deposit requirement.

9. Pension and Similar Benefit Plans

Pension Plans: The Hospital provides pension and similar benefits to its employees through several plans, including various multiemployer plans for union employees (see Note 14), a qualified noncontributory defined benefit plan primarily for eligible non-union employees of NYPH (the Qualified Pension Plan), a defined benefit retirement plan under a collective bargaining agreement for certain employees of NYP/LMH (the NYP/LMH Pension Plan), a non-contributory defined benefit retirement plan for eligible Lawrence employees (the Lawrence Pension Plan), a nonqualified defined benefit plan for certain NYPH executives (the Nonqualified Pension Plan) and a nonqualified defined benefit plan for certain Lawrence executives (the Lawrence Nonqualified Pension Plan) (the non-multiemployer plans are collectively referred to as the Pension Plans).

Through December 31, 2008, NYPH also provided pension and similar benefits to certain employees through a defined contribution plan. The employees who participated in the defined contribution plan became participants of the qualified defined benefit plan effective December 31, 2008, in a change that responded to certain regulatory requirements. Certain employees of NYP/LMH are covered under a defined contribution plan to which annual discretionary contributions are made based on percentages of both applicable salaries and voluntary contributions. The Hospital funds the noncontributory defined benefit plans in accordance with the minimum funding requirement of the Employee Retirement Income Security Act of 1974 (ERISA), plus additional amounts that the Hospital may deem appropriate from time to time. Amounts contributed to the Pension Plans are based on actuarial valuations.

9. Pension and Similar Benefit Plans (continued)

The benefits for participants or their beneficiaries in the Pension Plans sponsored by the Hospital are based on years of service and employees' compensation during their years of employment.

Postretirement Benefits: The Hospital provides certain health care and life insurance benefits to its retired non-union employees through several plans (the Postretirement Benefit Plans).

The Hospital recognizes in the accompanying consolidated statements of financial position an asset, for a defined benefit postretirement plan's overfunded status, or a liability, for a plan's underfunded status; measures a defined benefit postretirement plan's assets and obligations that determine funded status as of the end of the fiscal year; and recognizes the periodic change in the funded status of a defined benefit postretirement plan as a component of changes in unrestricted net assets in the year in which the change occurs. Amounts that are recognized as a component of changes in unrestricted net assets will be subsequently recognized as net periodic pension and postretirement cost.

9. Pension and Similar Benefit Plans (continued)

The reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plans' assets for the years ended December 31, 2014 and 2013 is as follows (in thousands):

	Pension Plans		Postretirement Benefit Plans	
	2014	**2013**	**2014**	**2013**
Benefit obligation				
Benefit obligation at beginning of year*	**$ 1,220,474**	$ 1,036,184	**$ 33,589**	$ 31,133
Service cost	**58,540**	55,889	**316**	290
Interest cost	**51,948**	40,912	**1,136**	1,013
Actuarial losses (gains)	**160,579**	(80,088)	**2,338**	(2,319)
Plan amendment	**–**	–	**129**	–
Effect of curtailment and settlement	**(2,226)**	(1,128)	**–**	–
Medicare Part D subsidy	**–**	–	**139**	121
Plan participant contributions	**–**	–	**172**	203
Benefits paid	**(54,884)**	(47,236)	**(2,890)**	(2,729)
Benefit obligation at end of year	**1,434,431**	1,004,533	**34,929**	27,712
Fair value of plan assets				
Fair value of plan assets at beginning of year*	**1,106,951**	814,061	**–**	–
Actual return on plan assets	**46,511**	110,727	**–**	–
Hospital contributions	**64,338**	80,253	**2,718**	2,526
Plan participant contributions	**–**	–	**172**	203
Effect of settlement	**(2,219)**	(1,128)	**–**	–
Benefits paid	**(54,884)**	(47,236)	**(2,890)**	(2,729)
Fair value of plan assets at end of year	**1,160,697**	956,677	**–**	–
Funded status	**$ (273,734)**	$ (47,856)	**$ (34,929)**	$ (27,712)

* Includes Lawrence balances as of July 1, 2014 of approximately $215.9 million within the benefit obligation and $150.3 million within the fair value of plan assets of the Pension Plans and approximately $5.9 million within the benefit obligation of the Postretirement Benefit Plans.

The actuarial loss in 2014 primarily relates to changes in the discount rate and mortality assumptions used to measure the projected benefit obligation.

9. Pension and Similar Benefit Plans (continued)

At December 31, 2014 and 2013, the funded status of the pension and postretirement benefits plans are reported in the accompanying consolidated statements of financial position as follows (in thousands):

	Pension Plans		Postretirement Benefit Plans		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Current liability	**$ 8,927**	$ 9,223	**$ 3,148**	$ 2,889	**$ 12,075**	$ 12,112
Noncurrent liability	**264,807**	38,633	**31,781**	24,823	**296,588**	63,456
	$ 273,734	$ 47,856	**$ 34,929**	$ 27,712	**$ 308,663**	$ 75,568

Included in other changes in unrestricted net assets for the years ended December 31, 2014 and 2013 are the following amounts that have not yet been recognized in net periodic pension and postretirement cost (in thousands):

	Pension Plans		Postretirement Benefit Plans		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Unrecognized prior service cost	**$ 1,138**	$ 1,758	$ **166**	$ 142	$ **1,304**	$ 1,900
Unrecognized actuarial loss	**391,721**	214,591	**6,800**	4,565	**398,521**	219,156
	$ 392,859	$ 216,349	$ **6,966**	$ 4,707	$ **399,825**	$ 221,056

The change in net assets from pension and postretirement benefit liabilities to be recognized in future periods as reported in the accompanying consolidated statements of operations is a decrease of approximately $179.2 million and an increase of approximately $157.8 million for 2014 and 2013, respectively, and represents the combined change in the amounts for pension and postretirement benefits plans in the table above.

9. Pension and Similar Benefit Plans (continued)

The prior service cost and actuarial loss included in changes in unrestricted net assets at December 31, 2014, that are expected to be recognized in net periodic pension and postretirement cost during the year ending December 31, 2015, are as follows (in thousands):

	Pension Plans	Postretirement Benefit Plans
Unrecognized prior service cost	$ 416	$ 66
Unrecognized actuarial loss	27,485	403

The projected benefit obligation, accumulated benefit obligation, and fair value of the plans' assets by defined benefit pension plan follow (in thousands):

	December 31, 2014			
	NYPH	**NYP/LMH**	**Lawrence**	**Nonqualified Pension Plans**
Projected benefit obligation	**$ 1,102,560**	**$ 45,267**	**$ 243,644**	**$ 42,960**
Accumulated benefit obligation	**1,087,066**	**43,627**	**213,197**	**30,638**
Fair value of plans' assets	**978,790**	**29,702**	**152,205**	**–**

	December 31, 2013		
	NYPH	**NYP/LMH**	**Nonqualified Pension Plan**
Projected benefit obligation	$ 931,644	$ 34,999	$ 37,890
Accumulated benefit obligation	919,960	33,902	27,659
Fair value of plans' assets	931,882	24,795	–

9. Pension and Similar Benefit Plans (continued)

Weighted-average assumptions used in determining the pension and postretirement benefits obligations as of December 31, 2014 and 2013, were as follows:

	Pension Plans		Postretirement Benefit Plans	
	2014	**2013**	**2014**	**2013**
Discount rate – NYPH	**4.00%**	4.75%	**3.50%**	4.00%
Discount rate – NYP/LMH	**4.00**	4.75	**–**	–
Discount rate – Lawrence	**4.00**	–	**3.75**	–
Rate of compensation increase – NYPH	**3.50**	3.50	**–**	–
Rate of compensation increase – NYP/LMH	**4.00**	4.00	**–**	–
Rate of compensation increase – Lawrence	**4.00**	–	**–**	–

Net periodic pension cost and postretirement benefits cost for the years ended December 31, 2014 and 2013, consist of the following (in thousands):

	Pension Plans		Postretirement Benefit Plans	
	2014	**2013**	**2014**	**2013**
Service cost	**$ 58,540**	$ 55,889	**$ 316**	$ 290
Interest cost	**51,948**	40,912	**1,136**	1,013
Expected return on plan assets	**(79,783)**	(66,180)	**–**	–
Net amortization of prior service cost	**613**	644	**105**	(67)
Recognized actuarial loss	**16,456**	29,488	**103**	416
Recognized actuarial loss (gain) due to settlement	**143**	(13)	**–**	–
Net periodic pension cost and postretirement benefits cost	**$ 47,917**	$ 60,740	**$ 1,660**	$ 1,652

9. Pension and Similar Benefit Plans (continued)

Weighted-average assumptions used in determining the net periodic pension and postretirement benefits cost for the years ended December 31, 2014 and 2013, were as follows:

	Pension Plans		Postretirement Benefit Plans	
	2014	**2013**	**2014**	**2013**
Discount rate – NYPH	**4.75%**	4.00%	**4.00%**	3.50%
Discount rate – NYP/LMH	**4.75**	4.75	**–**	–
Discount rate – Lawrence	**4.50**	–	**3.75**	–
Expected rate of return on plan assets – NYPH	**7.75**	7.75	**–**	–
Expected rate of return on plan assets – NYP/LMH	**7.75**	7.75	**–**	–
Expected rate of return – Lawrence	**8.00**	–	**–**	–
Rate of compensation increase – NYPH	**3.50**	3.50	**–**	–
Rate of compensation increase – NYP/LMH	**4.00**	4.00	**–**	–
Rate of compensation increase – Lawrence	**4.00**	–	**–**	–

The overall expected long-term rate of return on assets of the Pension Plans is based on the historical returns of each asset class weighted by the target asset allocation. The target asset allocation has been selected consistent with the Hospital's desired risk and return characteristics. The Hospital reviews the expected long-term rate periodically and, based on the building block approach, updates the rate for changes in the marketplace. The market conditions in 2014 and 2013 and changes in the pension asset allocations were considered in the Hospital's evaluation of the expected long-term rate of return assumption.

9. Pension and Similar Benefit Plans (continued)

In relation to the NYPH's postretirement benefit plan (excluding the postretirement benefit plan for Lawrence), the weighted-average annual assumed rate of increase per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to start at 6.70% and decrease to 4.50% by 2023. The health care cost trend rate assumption may have an effect on the amounts reported. A one percent change in the assumed health care cost trend rate would have the following effects (in thousands):

	1% Increase	1% Decrease
Effect on total of service and interest cost components in health care cost trend rate	$ 49	$ (44)
Effect on postretirement benefit obligation as of as of December 31, 2014	1,411	(1,265)

The measurement date used to determine the pension and postretirement benefits measurements is December 31.

Plan Assets: The Qualified Pension Plan, the NYP/LMH Pension Plan and the Lawrence Pension Plan have separate asset allocation targets. The overall objective of the investment policy of the Qualified Pension Plan is to produce an asset allocation that will generate return annually in order to meet the expense and income needs and provide for sufficient annual asset growth. Funds are invested with a long- term (five years or greater) return objective.

The Qualified Pension Plan's investment policy includes the following asset allocation guidelines:

Asset Category	Strategic Asset Allocation Policy Target
Equities	33%
Fixed income	14
Alternative assets	21
Private equity	17
Natural resources	8
Real estate	7

9. Pension and Similar Benefit Plans (continued)

The policy target percentages are reevaluated at least quarterly. Investment performance is reviewed quarterly with performance results and benchmarks compiled independently by the plan's trustee.

NYP/LMH and NYP/Lawrence Hospital Pension Plans' weighted-average asset allocations at December 31, 2014 are comprised of investments in equity and fixed income securities.

Assets invested in the Pension Plans are carried at fair value. Fixed income and equity securities and real assets with readily determinable values are carried at fair value as determined based on independent published sources. Alternative investments are stated at fair value, as estimated in an unquoted market. Fair value for alternative investments is determined for each investment using net asset values as a practical expedient, as permitted by U.S. generally accepted accounting principles, rather than using another valuation method to independently estimate fair value.

The composition and reported value of the Pension Plans' assets at December 31, 2014 and 2013 are disclosed in Note 13.

The Hospital expects to contribute approximately $55 million to its Pension Plans and $4 million to its Postretirement Benefit Plans in 2015.

The Medicare Prescription Drug Act introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The Hospital expects to pay the following benefit payments, which reflect expected future service as appropriate, and receive the following Medicare Part D subsidies (in thousands):

	Pension Plans	Postretirement Benefit Plans	Medicare Part D Subsidies
Year:			
2015	$ 72,119	$ 3,384	$ 176
2016	75,978	3,372	172
2017	83,900	3,283	166
2018	91,718	3,183	160
2019	91,033	3,112	154
2020–2024	514,741	13,121	652

10. Related Organizations

Fund, Inc. is an affiliated not-for-profit public charity whose revenue is derived from soliciting, receiving and administering funds. RCP, Inc., Royal Charter Properties-East, Inc. (RCP-East) and Royal Charter Properties-Westchester, Inc. (RCP-West) are affiliated not-for-profit support corporations that derive revenue from acquiring and holding direct and indirect interests in real estate and related personal property, which are primarily used to provide residential housing, office space and parking to the Hospital and its employees based on the market value of such services. RCP, Inc., RCP-East and RCP-West provide services primarily to or for the benefit of the Hospital.

Amounts received by NYPH from or amounts contributed by NYPH to related support organizations, reflected in other revenue in the accompanying consolidated statements of operations for the years ended December 31, 2014 and 2013, are as follows (see Note 11) (in thousands):

	2014	2013
Distributions from (payments to) according to organization's bylaws:		
RCP, Inc.	**$ 11,480**	$ 10,820
RCP-East	**33,625**	39,763
RCP-West	**(69)**	(70)
	$ 45,036	$ 50,513

Fund, Inc. also pays certain program related costs on behalf of NYPH (see Note 7). Fund, Inc. paid approximately $9.2 million and $8.0 million in 2014 and 2013, respectively, related to malpractice and postretirement costs incurred by NYPH. Other distributions made by Fund, Inc. to NYPH include approximately $83.2 million and $77.8 million in 2014 and 2013, respectively, for the purchase of fixed assets.

Services provided to NYPH by related entities for the years ended December 31, 2014 and 2013, are as follows (in thousands):

	2014	2013
Fund, Inc. – insurance *(Note 8)*	**$ 65,608**	$ 62,087
RCP, Inc. – rentals (net)	**3,364**	1,422
RCP-East – rentals	**9,744**	9,291
RCP-West – rentals	**267**	294
	$ 78,983	$ 73,094

10. Related Organizations (continued)

In connection with a financing completed by RCP, Inc. in 2001 for the renovation and improvement of a parking garage facility, NYPH entered into a noncancellable lease with RCP, Inc., for a period not longer than 29 years, whereby NYPH will lease 50% of the parking spaces at an amount sufficient to cover the debt service on the financing.

In connection with the financing completed by RCP-East in 1998, NYPH entered into a lease through April 2035, whereby NYPH is required to pay a fixed rent in the event that RCP-East does not meet certain covenants.

In September 2014, the Hospital deeded property, building and equipment located in lower Manhattan to RCP, Inc. In connection with the transaction, NYPH transferred the mortgage collateralized by the building (see Note 5). The assets and liabilities transferred at their historical carrying values were as follows at September 19, 2014 (in thousands):

Land	$ 20,000
Building and equipment, net	5,805
Mortgage note	(7,585)
Other	(2,060)
Net assets transferred	$ 16,160

NYPH received distributions of $15.0 million and $8.0 million in 2014 and 2013, respectively, from Weill Cornell Imaging at New York-Presbyterian, a radiology and imaging joint venture affiliated with NYPH and Weill Cornell Medical College.

The Hospital provides employee and other services to related entities for which the Hospital receives reimbursement, and the costs of providing such services are recorded directly by those entities. Accordingly, such amounts are not included in the accompanying consolidated financial statements of the Hospital. Charges for such services are based on the approximate cost to provide the services and totaled approximately $52.1 million and $43.3 million for the years ended December 31, 2014 and 2013, respectively. The services consist of patient accounting, financial planning, information systems and telecommunications, general accounting, medical supplies, biomedical engineering services, house staff, ambulance services, institutional billings, engineering and other services.

10. Related Organizations (continued)

The following balances are due (to) from related organizations at December 31, 2014 and 2013 (in thousands):

	2014	2013
Fund, Inc.	**$ (10,117)**	$ (8,785)
RCP, Inc.	**4,948**	1,235
RCP-East	**1,429**	2,111
RCP-West	**254**	113
Network Recovery Services, Inc.	**180**	(985)
Silvercrest Extended Care Facility	**128**	85
The Brooklyn Hospital Center (TBHC)[a]	**–**	1,043
The Hospital for Special Surgery	**771**	334
The New York Community Hospital of Brooklyn, Inc.	**109**	108
The New York Gracie Square Hospital, Inc.	**177**	141
The New York Hospital Medical Center of Queens	**2,917**	3,591
The New York Methodist Hospital	**784**	765
New York-Presbyterian Healthcare System, Inc.	**(4,176)**	(4,152)
The New York Westchester Square Medical Center (Westchester Square)[b]	**–**	2,927
The Rogosin Institute	**184**	186
Nyack Hospital	**–**	99
	(2,412)	(1,184)
Less noncurrent portion included in other noncurrent assets, before valuation allowance	**–**	(3,487)
Due (to) from related organizations – net	**$ (2,412)**	$ (4,671)

[a] Effective September 2, 2014, TBHC is no longer a related entity of the Hospital. All amounts due to or from TBHC from transactions after this date are reflected in the accompanying consolidated statement of financial position as other noncurrent assets.

[b] Westchester Square filed for bankruptcy protection in December 2006. Effective February 21, 2013, Westchester Square is no longer a related organization.

The Hospital periodically assesses the collectibility of amounts due from related organizations. The amounts included in other noncurrent assets are adjusted to state the receivables at their estimated net realizable value. The balances due from certain related organizations are provided for through a valuation allowance.

11. Other Revenue

Other revenue consisted of the following for the years ended December 31, 2014 and 2013 (in thousands):

	2014	2013
Grants and contracts	**$ 26,219**	$ 32,253
Amounts received from related organizations, net *(Note 10)*	**60,036**	58,513
Rental of space	**37,478**	35,921
Cafeteria and vending	**14,446**	13,048
Net assets released from restrictions, included in changes in beneficial interest in net assets held by related organizations *(Note 7)*	**78,699**	68,676
Affiliation agreements	**6,773**	6,201
Other	**38,866**	53,347
	$ 262,517	$ 267,959

12. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are either specifically covered by insurance or are not deemed material. While the outcome of these lawsuits cannot be determined at this time, management, based on advice from legal counsel, believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Hospital.

At December 31, 2014, approximately 38% of the Hospital's employees were covered by collective bargaining agreements. Collective bargaining agreements covering all such employees are set to expire at various dates through 2018.

Effective January 1, 2009, the IRS issued final regulations for purposes of determining common control for qualified retirement plans sponsored by tax-exempt organizations. In general, tax- exempt entities that are under common control are treated as one entity for certain of the requirements of qualified plans. The regulations determine control based on facts and circumstances; for this purpose, common control would exist if, among other situations, at least

12. Commitments and Contingencies (continued)

80% of the directors or trustees of one organization were either representatives of, or directly or indirectly controlled by, another organization. These regulations could have an effect on the operations of the Hospital's and its related entities' retirement plans and the responsibilities of those entities for associated liabilities, although such effects are uncertain at this time.

13. Fair Value Measurements

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

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

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Hospital uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers non-performance risk in its assessment of fair value.

13. Fair Value Measurements (continued)

The following table presents financial instruments carried at fair value, excluding assets invested in the Pension Plans, as of December 31, 2014 and 2013 (in thousands):

	December 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents – held for investment	**$ 122,970**	**$ 109,357**	**$ 13,613**	**$ –**
Fixed income:				
U.S. government	**917,470**	**917,470**	**–**	**–**
Non-U.S. government	**14,657**	**14,657**	**–**	**–**
Corporate	**305,806**	**31,291**	**274,515**	**–**
Mortgage and asset backed	**182,240**	**17,733**	**164,507**	**–**
Other	**13,159**	**–**	**13,159**	**–**
Equities:				
U.S. equities[b]	**257,179**	**257,179**	**–**	**–**
Non-U.S. equities[c]	**148,614**	**148,614**	**–**	**–**
Real assets	**20,577**	**20,577**	**–**	**–**
Mutual funds	**83,556**	**83,556**	**–**	**–**
	$ 2,066,228	**$ 1,600,434**	**$ 465,794**	**$ –**

	December 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents – held for investment	$ 621,823	$ 621,823	$ –	$ –
Fixed income:				
U.S. government	426,495	426,495	–	–
Non-U.S. government	27,308	27,308	–	–
Corporate	220,884	37,350	183,534	–
Mortgage and asset backed	129,968	2,049	127,919	–
Other	5,764	876	4,888	–
Equities:				
U.S. equities[b]	207,218	207,218	–	–
Non-U.S. equities[c]	123,279	123,279	–	–
Real assets	9,913	9,913	–	–
Mutual funds	25,045	25,045	–	–
	$ 1,797,697	$ 1,481,356	$ 316,341	$ –

The Hospital's alternative investments and common collective/commingled trusts are reported using the equity method of accounting and, therefore, are not included in the tables above (see Note 1).

13. Fair Value Measurements (continued)

Financial instruments invested in the Hospital's Pension Plans at fair value are classified in the table below in one of the three categories described above as of December 31, 2014 and 2013 (in thousands):

	December 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 27,526**	**$ 27,526**	**$ –**	**$ –**
Fixed income:				
U.S. government	**99,889**	**99,889**	**–**	**–**
Non-U.S. government	**8,905**	**8,905**	**–**	**–**
Corporate bonds	**1,162**	**1,162**	**–**	**–**
Common collective/ commingled trusts[(a)]	**33,840**	**–**	**33,840**	**–**
Equities:				
U.S. equities[(b)]	**95,135**	**95,135**	**–**	**–**
Non-U.S. equities[(c)]	**11,857**	**11,857**	**–**	**–**
Common collective/commingled trusts[(d)]	**320,765**	**–**	**311,203**	**9,562**
Mutual funds	**73,340**	**73,340**	**–**	**–**
Real assets	**23,837**	**23,837**	**–**	**–**
Hedge funds[(e)]	**203,264**	**–**	**69,143**	**134,121**
Private equity[(f)]	**162,596**	**–**	**–**	**162,596**
Private real assets[(g)]	**98,582**	**–**	**4,942**	**93,640**
	$ 1,160,698	**$ 341,651**	**$ 419,128**	**$ 399,919**

	December 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 71,357	$ 71,357	$ –	$ –
Fixed income:				
U.S. government	70,225	70,225	–	–
Non-U.S. government	16,695	16,695	–	–
Corporate bonds	6,371	6,371	–	–
Mortgage and asset backed	5,740	5,740	–	–
Other	1,892	1,892	–	–
Common collective/ commingled trusts[(a)]	43,894	–	43,894	–
Equities:				
U.S. equities[(b)]	72,370	72,370	–	–
Non-U.S. equities[(c)]	12,349	12,349	–	–
Common collective/commingled trusts[(d)]	255,391	–	255,391	–
Real assets	14,687	14,687	–	–
Hedge funds[(e)]	164,536	–	144,114	20,422
Private equity[(f)]	146,164	–	–	146,164
Private real assets[(g)]	75,006	–	7,277	67,729
	$ 956,677	$ 271,686	$ 450,676	$ 234,315

13. Fair Value Measurements (continued)

(a) Common collective/commingled trusts invested in corporate bonds and mortgage and asset backed securities.

(b) Equity portfolios invested in common stock of corporations primarily domiciled in the United States.

(c) Equity portfolios invested in common stock of corporations primarily domiciled outside the United States, including emerging market countries.

(d) Common collective/commingled trusts invested in common stock of corporations domiciled in the United States and outside the United States, including emerging market countries.

(e) Hedge funds include long and short equity, multi-strategy, event driven and relative value funds invested with managers who invest with different strategies and typically employ some leverage. In long and short equity, fund managers create a portfolio of long positions in stocks expected to appreciate over time and short positions in stocks expected to depreciate. Event driven managers create a portfolio designed to profit from corporate events such as mergers, spin-offs, defaults and bankruptcy. Relative value managers invest in long and short positions, but typically have a more neutral net market position than long and short. Multi-strategy is a fund employing a variety of hedge fund strategies.

(f) Private equity investments include limited partnership investments in funds pursuing strategies in corporate buyouts, venture capital, growth equity, distressed and turnaround investments.

(g) Real estate and natural resources investments.

The following is a description of the Hospital's valuation methodologies for assets measured at fair value. The fair value methodologies are not necessarily indicators of investment risk, but are descriptive of the measures used to arrive at fair value pricing. Fair value for Level 1 is based upon quoted market prices. Investments classified as Level 2, excluding alternative investments, are primarily valued using techniques that are consistent with the market approach. Valuations for Level 2 are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs, which include broker/dealer quotes, reported/comparable trades, and benchmark yields are obtained from various sources including market participants, dealers and brokers. Common collective/commingled trusts and alternative investments classified as Level 2 are redeemable in the near term. Level 3 assets consist of alternative investments that are not redeemable in the near term. The valuation for alternative investments included in Levels 2 and 3 is described in Note 9. The methods described above may produce a fair value that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

13. Fair Value Measurements (continued)

The following is a rollforward of the consolidated statements of financial position amounts for financial instruments classified by the Hospital in Level 3 of the fair value hierarchy defined above for the years ended December 31, 2014 and 2013 (in thousands):

	2014	2013
Balance, beginning of year	**$ 234,315**	$ 183,354
Total realized and unrealized gains or losses	**32,164**	23,979
Acquisition of NYP/Lawrence Hospital Level 3 investments	**9,061**	–
Purchases	**122,915**	57,375
Transfers	**1,464**	(30,393)
Balance, end of year	**$ 399,919**	$ 234,315
Change in unrealized gains related to financial instruments held at the reporting date	**$ 24,297**	$ 19,298

Transfers between Levels 2 and 3 reflect management's assessment of whether the underlying investments are redeemable in the near term.

The following is a summary of investments (by major class) that have restrictions on the Hospital's ability to redeem its investments at the measurement date, any unfunded capital commitments and the investments strategies of the investees as of December 31, 2014 (including investments accounted for using the equity method) (in thousands):

Description of Investment	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Common collective/ commingled trusts	$ 578,699	$ –	Daily to Monthly	3–30 days
Hedge funds	400,995	–	Monthly to tri-annually	45–180 days
Private equity	317,529	187,011	*	*
Private real assets	192,893	167,059	*	*
	$ 1,490,116	$ 354,070		

* The Hospital's liquidity restrictions range from several months to ten years for certain private equity and real asset investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

13. Fair Value Measurements (continued)

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued expenses, other current assets and liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments. Carrying value approximates fair value for other noncurrent financial instruments, excluding long-term debt obligations and financial instruments included in the fair value tables. At December 31, 2014 and 2013, the fair value of long-term debt obligations totaled approximately $1,205.0 million and $1,180.2 million, respectively, excluding capital leases and unamortized fair value adjustments (see carrying value of long-term debt at Note 5). The fair value of long-term debt is classified as Level 2 in the fair value hierarchy, using techniques consistent with the market approach. Valuations for long-term debt, excluding the term loan payable, are based on quoted market prices for related bonds. The carrying amount of the term loan payable approximates fair value based on consideration of current market data and discounted cash flow estimates.

14. Multiemployer Pension Plans

The Hospital contributes to the New York State Nurses Association Pension Plan (NYSNA) and the 1199 SEIU Healthcare Employees Pension Fund (1199 SEIU). These are multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover the Hospital's union-represented employees. Contributions to union plans are based on union employee gross salary levels and rates required under union contractual arrangements.

The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If the Hospital chooses to stop participating in some of its multiemployer plans, the Hospital may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

14. Multiemployer Pension Plans (continued)

The Hospital's participation in these plans for the annual period ended December 31, 2014, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2014 and 2013 is for the plan's year-end at December 31, 2013 and December 31, 2012, respectively. The zone status is based on information that the Hospital received from the plan and 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 "FIP/RP Status" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2014	Pension Protection Act Zone Status 2013	FIP/RP Status	Contributions by the Hospital 2014	Contributions by the Hospital 2013	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
					(In Thousands)			
NYSNA	13-6604799/ Plan No. 001	**Green**	Green	No	**$ 22,973**	$ 20,620	No	*
1199 SEIU	13-3604862/ Plan No. 001	**Green**	Green	No	**31,826**	32,210	No	4/30/2015
					$ 54,799	$ 52,830		

* The most recent collective bargaining agreement expired on December 31, 2014. A new collective bargaining agreement is currently under negotiation.

The Hospital was listed in the NYSNA plan's Forms 5500 as providing more than 5% of the total contributions during each of the plans 2013 and 2012 plan years. Forms 5500 are not yet available for the plan years ended in 2014.

15. Events Subsequent to December 31, 2014

Subsequent events have been evaluated through April 29, 2015, which is the date the consolidated financial statements were issued.

15. Events Subsequent to December 31, 2014 (continued)

In January 2015, NYP Community Programs, Inc. (Community Programs), of which NYPH is the sole member, acquired Hudson Valley Hospital Center (Hudson Valley), a 128-bed acute care hospital located in Cortlandt Manor, Westchester County, New York. Community Programs acquired Hudson Valley by means of an inherent contribution, in which no consideration was transferred by Community Programs. The Hospital will account for this business combination by applying the acquisition method and, accordingly, the inherent contribution received will be valued as the excess of assets acquired over liabilities assumed. In determining the inherent contribution received, all assets acquired and liabilities assumed will be measured at fair value as of the date of the acquisition. As of the date these consolidated financial statements were issued, management is preparing the initial accounting for the acquisition.

In April 2015, the New York State Department of Health approved a certificate of need application filed by Community Programs to acquire the New York Hospital Medical Center of Queens (the Medical Center). Approval from the U.S. Department of Housing and Urban Development is also required before the acquisition can take place. The Hospital expects that such approval will be granted during 2015. As the Hospital and the Medical Center are entities under common control, the assets and liabilities of the Medical Center will be transferred to the Hospital at historical cost.

Except for the acquisition of Hudson Valley, the certificate of need filed to acquire the Medical Center and the bond issuance described in Note 5, no other subsequent events have occurred that require disclosure in or adjustment to the consolidated financial statements.

II. Supplementary Information and Accompanying Reports and Schedules Related to OMB Circular A-133

The New York and Presbyterian Hospital

Consolidating Statement of Financial Position

(In Thousands)

December 31, 2014

	NYPH	NYP Community Services, Inc.	Consolidated
Assets			
Current assets:			
Cash, cash equivalents and short-term investments:			
Cash and cash equivalents	$ 190,038	$ 20,233	$ 210,271
Short-term investments	1,068,740	–	1,068,740
Total cash, cash equivalents and short-term investments	1,258,778	20,233	1,279,011
Patient accounts receivable, less allowance for uncollectibles	498,094	28,286	526,380
Other current assets	78,675	6,794	85,469
Assets limited as to use – current portion	29,856	2,932	32,788
Professional liabilities insurance recoveries receivable – current portion	63,462	–	63,462
Beneficial interest in net assets held by related organizations – current portion	78,699	–	78,699
Total current assets	2,007,564	58,245	2,065,809
Assets limited as to use – noncurrent	1,522,192	116,493	1,638,685
Property, buildings, and equipment – net	2,300,906	103,782	2,404,688
Other noncurrent assets – net	31,698	–	31,698
Professional liabilities insurance recoveries receivable – noncurrent	166,396	12,053	178,449
Beneficial interest in net assets held by related organizations – noncurrent	1,698,169	–	1,698,169
Total assets	$ 7,726,925	$ 290,573	$ 8,017,498

The New York and Presbyterian Hospital

Consolidating Statement of Financial Position (continued)
(In Thousands)

December 31, 2014

	NYPH	NYP Community Services, Inc.	Consolidated
Liabilities and net assets			
Current liabilities:			
Long-term debt – current portion	$ 77,631	$ 2,881	$ 80,512
Accounts payable and accrued expenses	388,309	25,980	414,289
Accrued salaries and related liabilities	202,196	9,995	212,191
Due to related organizations – net	2,412	–	2,412
Pension and postretirement benefit liabilities – current portion	11,686	389	12,075
Professional liabilities and other – current portion	63,462	630	64,092
Other current liabilities	158,573	5,284	163,857
Total current liabilities	904,269	45,159	949,428
Long-term debt	989,047	32,045	1,021,092
Professional liabilities and other	315,325	22,450	337,775
Pension liability	173,368	91,439	264,807
Postretirement benefit liability	26,025	5,756	31,781
Deferred revenue	2,985	–	2,985
Other noncurrent liabilities	299,374	14,833	314,207
Total liabilities	2,710,393	211,682	2,922,075
Commitments and contingencies			
Net assets:			
Unrestricted	3,239,664	55,532	3,295,196
Temporarily restricted:			
NYP/Lawrence Hospital	–	18,675	18,675
Held by related organizations	1,527,247	–	1,527,247
Total temporarily restricted	1,527,247	18,675	1,545,922
Permanently restricted:			
NYP/Lawrence Hospital	–	4,684	4,684
Held by related organizations	249,621	–	249,621
Total permanently restricted	249,621	4,684	254,305
Total net assets	5,016,532	78,891	5,095,423
Total liabilities and net assets	$ 7,726,925	$ 290,573	$ 8,017,498

The New York and Presbyterian Hospital

Consolidating Statement of Operations
(In Thousands)

Year Ended December 31, 2014

	NYPH *(Year Ended December 31, 2014)*	NYP Community Services, Inc. *(Period From July 1, 2014 to December 31, 2014)*	Consolidated
Operating revenues			
Net patient service revenue	$ 4,263,145	$ 110,386	$ 4,373,531
Provision for bad debts	(56,914)	(2,551)	(59,465)
Net patient service revenue, less provision for bad debts	4,206,231	107,835	4,314,066
Other revenue	259,369	3,148	262,517
Total operating revenues	4,465,600	110,983	4,576,583
Operating expenses			
Salaries and wages	2,032,992	58,126	2,091,118
Employee benefits	570,326	14,147	584,473
Supplies and other expenses	1,337,887	36,538	1,374,425
Interest and amortization of deferred financing fees	45,981	283	46,264
Depreciation and amortization	256,527	3,411	259,938
Total operating expenses	4,243,713	112,505	4,356,218
Operating income (loss)	221,887	(1,522)	220,365
Investment return (loss)	63,326	(441)	62,885
Excess (deficiency) of revenues over expenses before inherent contribution of unrestricted net assets received in the acquisition of NYP/Lawrence Hospital Center	285,213	(1,963)	283,250
Inherent contribution of unrestricted net assets received in the acquisition of NYP/Lawrence Hospital Center	–	82,218	82,218
Excess of revenues over expenses	285,213	80,255	365,468
Other changes in unrestricted net assets:			
Deed of property, buildings and equipment to Royal Charter Properties, Inc.	(16,160)	–	(16,160)
Distributions from New York-Presbyterian Fund, Inc. for the purchase of fixed assets	83,186	–	83,186
Change in pension and postretirement benefit liabilities to be recognized in future periods	(154,524)	(24,723)	(179,247)
Change in unrestricted net assets	$ 197,715	$ 55,532	$ 253,247

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Other Identifying Number(s)	Federal Expenditures
U.S. Department of Health and Human Services			
Direct programs:			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H12HA24850	$ 324,003
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures:			
Grants for School-Based Health Center – GW	93.501	C12CS25447	460,655
Grants for School-Based Health Center – IS143	93.501	C12CS1918	383,552
Subtotal CFDA Program Number 93.501			844,207
Child Health and Human Development Extramural Research	93.865	R13HD063194	27,368
Maternal and Child Health Federal Consolidated Programs	93.110	H17MC23550	30,998
Subtotal direct programs			1,226,576
Pass-through programs from:			
Public Health Solutions:			
HIV Emergency Relief Project Grants:			
Medical Case Management	93.914	09-MCM-670	924,875
Mental Health Services	93.914	07-MSV-670	508,301
Subtotal CFDA program number 93.914			1,433,176
HIV Prevention Activities – Health Department Based:			
Demonstration Projects for Innovative, High-impact, HIV Prevention Interventions and Strategies	93.940	13-DEM-670	245,000
HIV Testing Services: Routine Testing in Clinical Settings	93.940	11-HTR-670	356,445
Subtotal CFDA program number 93.940			601,445
Subtotal pass-through programs from Public Health Solutions			2,034,621
State of New York Department of Health:			
Injury Prevention and Control Research and State and Community Based Programs: Rape Crisis and Sexual Violence Prevention Program	93.136	C-026622	10,491
Family Planning Services	93.217	C-027033	353,758
Preventative Health and Health Services Block Grant	93.991	C-026622	1,431
Maternal and Child Health Services Block Grant to the States:			
Family Planning	93.994	C-027033	266,313
School Based Health Clinics	93.994	C-022467	77,133
Comprehensive Adolescent Pregnancy Prevention	93.994	C-026983	5,577
Regional Asthma Coalition	93.994	C-026792	8,187
Subtotal CFDA program number 93.994			357,210
Medical Assistance Program:			
Comprehensive Adolescent Pregnancy Prevention	93.778	C-026983	149,947
Perinatal/Columbia	93.778	C-023913/C-028945	41,221
Perinatal/Cornell	93.778	C-023913/C-028945	42,793
Subtotal CFDA program number 93.778			233,961
Subtotal pass-through programs from State of New York Department of Health			956,851

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Other Identifying Number(s)	Federal Expenditures
U.S. Department of Health and Human Services (continued)			
Pass-through programs from (continued):			
New York City Department of Health and Mental Hygiene:			
Immunization Cooperative Agreements: Vaccines for Children Program	93.268		$ 3,360,536
Pass-through program from Public Health Solutions/ Pass-through program from New York-Presbyterian Healthcare System, Inc.: Bioterrorism Hospital Preparedness Program	93.889	13-NYPHS-01/14-NYPHS-01	212,080
Subtotal pass-through programs from New York City Department of Health and Mental Hygiene			3,572,616
The University of Texas Health Science Center at San Antonio:			
Cancer Centers Support Grants: Latin Cancer Network	93.397	5U54CA153511	77,364
Subtotal pass-through programs			6,641,452
Total U.S. Department of Health and Human Services			7,868,028
U.S. Department of Justice			
Pass-through programs from:			
State of New York Crime Victims Board:			
Crime Victim Assistance:			
Miscellaneous Crime Victims (DOVE) – Columbia	16.575	C-501096/C-100439	198,574
Miscellaneous Crime Victims (DOVE) – Cornell	16.575	C-501097/C-100361	84,640
Victim Assistance Program	16.575	C-100307	8,418
Subtotal CFDA Program Number 16.575			291,632
Violence Against Women Formula Grants	16.588	C-564342	80,532
Total U.S. Department of Justice			372,164
U.S. Department of Housing and Urban Development			
Direct programs:			
Mortgage Insurance-Hospitals: Federal Housing Administration Section 242 Insured Mortgages (Note 3)	14.128		*
Supplemental Loan Insurance – Multifamily Rental Housing: Federal Housing Administration Section 241 Insured Mortgages (Note 3)	14.151		*

The New York and Presbyterian Hospital

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Other Identifying Number(s)	Federal Expenditures
U.S. Department of Agriculture Food and Nutrition Service			
Pass-through program from:			
State of New York Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2):			
Special Supplemental Nutrition Program for WIC – NYPH	10.557	C-025768	$ 13,916,596
Special Supplemental Nutrition Program for WIC – LMH	10.557	C-025769A	2,531,755
Subtotal CFDA Program Number 10.557			16,448,351
Total U.S. Department of Agriculture Food and Nutrition Service			16,448,351
Total expenditures of federal awards			$ 24,688,543

* Refer to Note 3 for amounts pertaining to the insured loan programs.

See accompanying notes.

The New York and Presbyterian Hospital

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The New York and Presbyterian Hospital (the Hospital) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Pass-through programs received by the Hospital may include, in addition to federal funds, support from other sources. The Schedule reflects only those expenditures that have been supported by federal funds. Determinations as to the level of federal funding have been made based on communications of funding levels provided by the pass-through agencies. In certain circumstances, the funding levels communicated are estimated and subject to finalization upon the completion of the budget period for the program.

2. Food and Nutritional Awards

During the year ended December 31, 2014, the Hospital participated in the State of New York Department of Health – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) through the provision of nutritional counseling and the receipt and distribution of food vouchers. The U.S. Department of Agriculture Food and Nutrition Service, the federal agency that sponsors the WIC program under Catalog of Federal Domestic Assistance (CFDA) Number 10.557, has determined that WIC food vouchers are considered "property in lieu of money" and, therefore, should be reported as federal awards received by the Hospital for the purpose of presentation in the Schedule. The amount reported in the Schedule for the WIC program under CFDA Number 10.557 represents the federally funded value of food vouchers issued ($13,568,508) plus administrative costs ($2,879,843) for the year ended December 31, 2014. In addition to the federal funds received for the WIC program, in 2014, 17.3% of the WIC program's total administrative and nutritional counseling costs were funded by the State of New York Department of Health. Such amounts are excluded from the Schedule.

3. U.S. Department of Housing and Urban Development Mortgage Insurance Programs

The Hospital has mortgage loans insured under the provisions of the U.S. Department of Housing and Urban Development – Federal Housing Administration (FHA) Section 242 and 241 mortgage insurance programs. The U.S. Department of Housing and Urban Development (HUD) has determined that the mortgage insurance programs are to be considered federal awards for purposes of compliance with OMB Circular A-133. At December 31, 2014 and 2013, the outstanding balances of the loans were as follows:

	2014	2013
FHA Section 242 insured mortgage loan – 14.128	**$ 257,333,290**	$ 328,557,070
FHA Section 241 insured mortgage loan – 14.151	**732,502,652**	752,545,067
	$ 989,835,942	$ 1,081,102,137

Pursuant to the agreements related to the mortgages, the Hospital is, among other compliance requirements, required to maintain certain debt service funds, including mortgage reserve funds. In addition, the Hospital is required to maintain certain working capital, debt service coverage, other financial ratios and financial conditions and to obtain approval from HUD to incur additional debt above specified levels if profitability requirements are not met. The mortgages are collateralized by Hospital property, buildings and equipment and gross receipts derived from operations. Through December 31, 2014, the Hospital was in compliance with the financial covenants.

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

Management and the Board of Trustees
The New York and Presbyterian Hospital

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The New York and Presbyterian Hospital (the Hospital), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 29, 2015. The financial statements of NYP Community Services, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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Compliance and Other Matters

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

Purpose of this Report

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

Ernst & Young LLP

April 29, 2015

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Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Management and the Board of Trustees
The New York and Presbyterian Hospital

Report on Compliance for Each Major Federal Program

We have audited The New York and Presbyterian Hospital's (the Hospital) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2014. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hospital's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ernst + Young LLP

September 30, 2015

The New York and Presbyterian Hospital

Schedule of Findings and Questioned Costs

Year Ended December 31, 2014

Section I – Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards Section

Internal control over major federal programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	____ Yes	X No

The New York and Presbyterian Hospital

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2014

Section I – Summary of Auditor's Results (continued)

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.778	U.S. Department of Health and Human Services: Medical Assistance Program
93.501	U.S. Department of Health and Human Services: Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures
10.557	U.S Department of Agriculture Food and Nutrition Service: Special Supplemental Nutrition Program for Women, Infants, and Children
14.128	U.S. Department of Housing and Urban Development: Mortgage Insurance-Hospitals – Federal Housing Administration Section 242 Insured Mortgages
14.151	U.S. Department of Housing and Urban Development: Supplemental Loan Insurance Multifamily Rental Housing – Federal Housing Administration Section 241 Insured Mortgages

Dollar threshold used to distinguish between Type A and Type B programs: $ 740,656

Auditee qualified as low-risk auditee? X Yes ___ No

Section II – Financial Statement Findings

There were no findings noted related to the financial statements that are required to be reported under *Government Auditing Standards.*

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs noted related to the federal awards that are required to be reported under OMB Circular A-133 section .510(a).

The New York and Presbyterian Hospital

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2014

Finding Reference Number:	2012-01
Federal program information:	93.268 – U.S. Department of Health and Human Services: Immunization Cooperative Agreements
Condition:	Under CFDA #93.268, the Hospital receives vaccines from the Vaccines for Children Program (the Program). The Program requires that adequate safeguards be established to prevent the risk of loss of vaccines from theft, expiration and improper storage temperature in the refrigerators and freezers. The Hospital has policies and procedures requiring that the temperature in the refrigerators and freezers be checked and recorded twice daily with corrective action to be taken when the recorded temperature is outside of the acceptable range. Corrective action includes rechecking the temperature within the next hour to verify that the temperature is back within range. During 2012, we noted that, in certain instances, the Hospital did not perform and/or have appropriate documentation to evidence the temperature in the refrigerators and freezers being rechecked if the temperature was outside the range.
Status:	New policies and procedures were put in place after the Hospital became aware of this matter. No findings were reported in 2013 or 2014 related to this requirement.

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