Consolidated Financial Statements and Supplementary Information and Audit Reports and Schedules Related to the Uniform Guidance and Financial Responsibility Supplemental Schedule Related to U.S. Department of Education Title IV Regualtions

Beth Israel Medical Center and Affiliates
Year Ended December 31, 2019
With Reports of Independent Auditors

Ernst & Young LLP

Building a better working world

Beth Israel Medical Center and Affiliates

Consolidated Financial Statements and Supplementary Information and Audit Reports and Schedules Related to the Uniform Guidance and Financial Responsibility Supplemental Schedule Related to U.S. Department of Education Title IV Regulations

Year Ended December 31, 2019

Contents

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Beth Israel Medical Center and Affiliates (BIMC), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BIMC as of December 31, 2019 and 2018, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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Adoption of ASU No. 2016-02, Leases

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

Supplementary information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 31, 2020 on our consideration of BIMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BIMC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BIMC's internal control over financial reporting and compliance.

Ernst + Young LLP

March 31, 2020, except for Notes 14 and 15 and
our report on the Schedule of Expenditures of
Federal Awards and Financial Responsibility
Supplemental Schedule for which the date is
December 4, 2020

Beth Israel Medical Center and Affiliates

Consolidated Statements of Financial Position

	December 31 2019	December 31 2018
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 184,833**	$ 64,977
Short-term investments	**25,206**	24,074
Total cash and cash equivalents and short-term investments	**210,039**	89,051
Patient accounts receivable, net	**68,196**	72,134
Professional liabilities insurance recoveries receivable, current portion	**29,231**	41,513
Inventories	**8,259**	12,564
Other current assets	**14,517**	11,009
Total current assets	**330,242**	226,271
Pooled investments	**24,665**	22,163
Other investments	**54,802**	194,693
Assets limited as to use	**318**	25,475
Beneficial interest in self-insurance trust	**28,465**	11,123
Other assets	**33,032**	15,746
Right-of-use assets	**179,304**	–
Professional liabilities insurance recoveries receivable, less current portion	**133,165**	189,113
Property, plant, and equipment, net	**569,729**	351,471
Total assets	**$ 1,353,722**	$ 1,036,055
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 83,283**	$ 89,646
Accrued salaries and related liabilities	**47,769**	44,563
Accrued construction and capital asset liabilities	**6,569**	5,535
Due to related organizations, current portion	**51,807**	17,316
Professional liabilities, current portion	**29,231**	41,513
Finance lease obligations, current portion	**753**	717
Operating lease liabilities, current portion	**29,631**	–
Other current liabilities	**25,176**	54,482
Total current liabilities	**274,219**	253,772
Due to related organizations, less current portion	**161,776**	130,776
Estimated self-insurance liability	**28,465**	11,123
Professional liabilities, less current portion	**133,165**	189,113
Finance lease obligations, less current portion	**189,293**	2,250
Operating lease liabilities, less current portion	**151,838**	–
Other liabilities	**176,991**	169,783
Total liabilities	**1,115,747**	756,817
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	**205,215**	245,263
Net assets with donor restrictions	**32,760**	33,975
Total net assets	**237,975**	279,238
Total liabilities and net assets	**$ 1,353,722**	$ 1,036,055

See accompanying notes.

Beth Israel Medical Center and Affiliates

Consolidated Statements of Operations

	Year Ended December 31	
	2019	2018
	(In Thousands)	
Operating revenue		
Net patient service revenue	**$ 820,105**	$ 831,088
Investment income and net realized gains and losses on sales of securities	**5,402**	3,666
Other revenue	**75,046**	68,145
Net assets released from restrictions	**1,473**	1,969
Total operating revenue before other items	**902,026**	904,868
Operating expenses		
Salaries and wages	**379,751**	383,133
Employee benefits	**133,807**	141,039
Supplies and other	**431,293**	418,114
Depreciation and amortization	**71,123**	63,860
Interest and amortization	**7,979**	3,309
Total operating expenses before other items	**1,023,953**	1,009,455
Deficiency of operating revenue over operating expenses before other items	**(121,927)**	(104,587)
Other items		
Net change in unrealized gains and losses on investments and change in value of alternative investments	**3,407**	(2,091)
Net change in participation in captive insurance program	**66,852**	56,864
Gain on sale of captive insurance company	**11,620**	–
Gain on sale of building	**–**	1,254
Gain on sale of clinical outreach laboratory business	**–**	2,823
Deficiency of revenue over expenses	**(40,048)**	(45,737)
Other changes in net assets without donor restrictions		
Transfer from The Mount Sinai Hospital	**–**	4,723
Total other changes in net assets without donor restrictions	**–**	4,723
Net decrease in assets without donor restrictions	**$ (40,048)**	$ (41,014)

See accompanying notes.

Beth Israel Medical Center and Affiliates

Consolidated Statements of Changes in Net Assets

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions: Purpose and Time Restrictions	Net Assets with Donor Restrictions: Permanent Endowment	Net Assets with Donor Restrictions: Total Net Assets With Donor Restrictions	Total Net Assets
Net assets at January 1, 2018	$ 286,277	$ 12,364	$ 24,215	$ 36,579	$ 322,856
Net decrease in net assets	(41,014)	–	–	–	(41,014)
Donor restricted contributions, net	–	422	91	513	513
Uncollectible pledges	–	(1,148)	–	(1,148)	(1,148)
Net assets released from restrictions	–	(1,969)	–	(1,969)	(1,969)
Total change in net assets	(41,014)	(2,695)	91	(2,604)	(43,618)
Net assets at December 31, 2018	245,263	9,669	24,306	33,975	279,238
Net decrease in net assets	**(40,048)**	**–**	**–**	**–**	**(40,048)**
Donor restricted contributions, net	**–**	**258**	**–**	**258**	**258**
Net asset reclassifications	**–**	**12,372**	**(12,372)**	**–**	**–**
Net assets released from restrictions	**–**	**(1,473)**	**–**	**(1,473)**	**(1,473)**
Total change in net assets	**(40,048)**	**11,157**	**(12,372)**	**(1,215)**	**(41,263)**
Net assets at December 31, 2019	**$ 205,215**	**$ 20,826**	**$ 11,934**	**$ 32,760**	**$ 237,975**

See accompanying notes.

Beth Israel Medical Center and Affiliates

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2019	2018
	(In Thousands)	
Operating activities		
Change in net assets	**$ (41,263)**	$ (43,618)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**71,123**	63,860
Transfer from The Mount Sinai Hospital	**–**	(4,723)
Net donor restricted contributions	**(258)**	(513)
Uncollectible pledges	**–**	1,148
Net realized and change in net unrealized gains and losses on investments and change in value of alternative investments	**(3,407)**	(763)
Net change in participation in captive insurance program	**(66,852)**	(56,864)
Gain on sale of building	**–**	(1,254)
Gain on sale of captive insurance company	**(11,620)**	–
Gain on sale of clinical outreach laboratory business	**–**	(2,823)
(Decrease) increase in cash resulting from a change in:		
Patient accounts receivable, net	**(3,938)**	4,072
Accounts payable and accrued expenses	**(6,363)**	(10,204)
Other current liabilities	**(29,306)**	(30,779)
Change in right-of-use-assets	**12,258**	–
Net effect of increases and decreases in other operating assets and liabilities	**(105,286)**	86,930
Net cash (used in) provided by operating activities	**(184,912)**	4,469
Investing activities		
Acquisitions of property, plant, and equipment, net	**(106,966)**	(72,131)
Proceeds from sale of building and clinical outreach laboratory business	**–**	5,847
Decrease in assets limited as to use, net	**25,157**	1,917
Funding of self-insurance trust	**(9,744)**	(3,000)
Proceeds from sale of captive insurance company	**168,405**	–
Decrease (increase) in investments, net	**138,759**	(3,354)
Net cash provided by (used in) investing activities	**215,611**	(70,721)
Financing activities		
Principal payments of finance lease obligations	**(716)**	(683)
Transfer from The Mount Sinai Hospital	**–**	4,723
Proceeds from related parties, net	**65,491**	27,194
Net donor restricted contributions	**258**	(635)
Net cash provided by financing activities	**65,033**	30,599
Net increase (decrease) in cash and cash equivalents and restricted cash	**95,732**	(35,653)
Cash, cash equivalents and restricted cash at beginning of year	**90,614**	126,267
Cash and cash equivalents and restricted cash at end of year	**$ 186,346**	$ 90,614
Reconciliation of cash, cash equivalents and restricted cash at end of year to the consolidated statements of financial position		
Cash and cash equivalents	**$ 184,833**	$ 64,977
Assets limited as to use: cash and cash equivalents	**318**	25,475
Short term and other investments: cash and cash equivalents	**1,195**	162
Total cash, cash equivalents and restricted cash	**$ 186,346**	$ 90,614
Supplemental disclosure of cash flow information		
Non-cash investing and financings transactions		
Assets acquired under finance lease obligations	**$ 182,415**	$ –

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

Beth Israel Medical Center, d/b/a Mount Sinai Beth Israel and Mount Sinai Brooklyn (collectively, BIMC) is a not-for-profit health care provider with various facilities located in New York City. BIMC is a tertiary care teaching hospital with two campuses located in Manhattan and Brooklyn. In addition, BIMC includes several ambulatory care locations throughout the metropolitan area. BIMC is the sole member of or controls the following entities: Mount Sinai Ambulatory Ventures, Inc.; BICCC West, LLC; East 17th Street Properties, Inc.; B.I.M.C. Holding Corporation; and Beth Israel Medical Center Foundation, Inc. Additionally, BIMC owns or controls various other entities whose operations were effectively dormant for the years ended December 31, 2019 and 2018.

Prior to September 30, 2013, Continuum Health Partners, Inc. (CHP) was the sole corporate member of BIMC, The St. Luke’s-Roosevelt Hospital Center (SLR), and The New York Eye and Ear Infirmary (NYEEI).

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

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

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

Liquidity and Operating Results

As of December 31, 2019, BIMC has consolidated cash and cash equivalents, short-term investments, assets limited as to use, pooled investments and other investments (exclusive of BIMC's $52.2 million interest in the insurance program described in Note 6) of approximately $237.6 million and net assets without donor restrictions of approximately $205.2 million. The deficiency of operating revenue over operating expenses before other items for the year ended December 31, 2019, was approximately $121.9 million and net cash used in operations for the year ended December 31, 2019, was approximately $184.9 million. BIMC experienced significant operating losses due to reduced patient volume in 2018 and 2019 attributable to several factors generally impacting the health care industry and the continuation of the transformation of BIMC whereby several departments are moving to other hospitals within MSHS.

Management continues to focus on programs to improve operating results in 2020, including the continued transformation of BIMC. MSHS management continues to implement a financial stabilization plan aimed at reducing costs, monetizing certain assets, and evaluating opportunities for synergies within MSHS, including among clinical programs. It is management's expectation that the successful culmination of certain of the above-mentioned initiatives will result in improved liquidity and operating results. However, there is no certainty that such improvements will be realized.

Management believes that BIMC's cash and investments, along with initiatives designed to stabilize financial results, the continued monetization of certain assets, will allow BIMC to continue its operations and satisfy its liabilities in the normal course of business through at least one year beyond the date of issuance of the accompanying consolidated financial statements.

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

	2019	2018
	(in thousands)	
Cash and cash equivalents	**$ 184,833**	$ 64,977
Short-term investments	**25,206**	24,074
Patient accounts receivable, net	**68,196**	72,134
	$ 278,235	$ 161,185

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

BIMC has certain short-term investments with no liquidity restrictions that are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. BIMC has pooled investments and other assets limited as to use for donor-restricted purposes and for funded depreciation. These assets, which are more fully described in Note 3 are not available for general expenditure within the next year and are not reflected in the amounts above.

Principles of Consolidation

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

Transactions among BIMC and related organizations relate principally to the sharing of certain services, facilities, equipment, and personnel and are accounted for on the basis of allocated cost, as agreed among the parties. Amounts due to MSH under the intercompany loan bear interest. The remainder of amounts due from or to related organizations do not bear interest. The nature of BIMC's transactions with various related organizations is described more fully in Note 10.

Cash and Cash Equivalents

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

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

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

Patient Accounts Receivable

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

Investments

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

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

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

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

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

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

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

Investment Income

Investment income from the investment pool is allocated to investment pool participants using the market-value unit method. The annual spending rate for pooled funds is approved by the Board of Trustees annually (see Note 3). Realized gains and losses from the sale of securities are computed using the average cost method.

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

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

Inventories

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

Assets Limited as to Use

Assets limited as to use primarily includes funds held for specific purposes, primarily related to the funded depreciation account held in accordance with New York State regulations (see Note 3).

Other Assets

BIMC has invested in various health care entities, certain of which are accounted for using the equity method. These amounts are classified as other assets in the accompanying consolidated statements of financial position. In addition, included in other current assets are receivables related to third-party rate accounts of approximately $3.9 million and $2.3 million at December 31, 2019 and 2018, respectively.

Property, Plant, and Equipment

Property, plant, and equipment is carried at cost and those assets acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution. Depreciation expense is computed utilizing the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years. In accordance with BIMC's policy, one-half year's depreciation is recorded in the year of asset acquisition, and in the final year of the asset's useful life. When assets are retired or otherwise disposed of, the cost and the related depreciation are reversed from the accounts, and any gain or loss is reflected in the deficiency of revenue over expenses. Repairs and maintenance expenditures are expensed as incurred.

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

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

Impairment of Long-Lived Assets

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

Conditional Asset Retirement Obligations

Asset retirement obligations, reported in other liabilities, are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, BIMC records changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. BIMC reduces its liabilities when the related obligations are settled. As of December 31, 2019 and 2018, approximately $9.2 million and $8.8 million, respectively, of conditional asset retirement obligations are included within other liabilities in the accompanying consolidated statements of financial position.

Other Liabilities

Other liabilities in the accompanying consolidated statements of financial position consist primarily of the long-term portion of estimated payables to third-party payors, deferred revenue and liabilities related to the insurance program (refer to Note 6).

Net Assets Without Donor Restrictions

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

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

Net Assets With Donor Restrictions

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

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

Contributions

Contributions, including unconditional promises to give cash and other assets (pledges), are reported at fair value on the date received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected in net assets with donor restrictions and net assets released from restrictions in the accompanying consolidated financial statements.

Performance Indicator

The consolidated statements of operations include the deficiency of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from the deficiency of revenue over expenses, include the transfer from MSH (for the year ended December 31, 2018).

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

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

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates relate to patient accounts receivable, amounts due from and to third party payors, the net carrying value of BIMC's interest in the captive insurance program, and estimated professional liabilities and related insurance recoveries receivable. Actual results may differ from those estimates.

Tax Status

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

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

Sale of Captive Insurance Company

On November 27, 2018, the Hospital, BIMC, Montefiore Health System, and Maimonides Medical Center, collectively the owners of Hospitals Insurance Company (HIC) and FOJP Service Corporation (FOJP), announced their agreement to sell HIC and FOJP to The Doctors Company for $718.9 million, after closing adjustments. The transaction closed on July 31, 2019, and the hospitals shared in the proceeds ratably according to their ownership. BIMC received approximately $168.4 million in 2019 and recorded a gain on the sale of approximately $11.6 million (see Note 6).

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

Recently Adopted Accounting Pronouncements

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

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

BIMC adopted ASU 2016-02 effective January 1, 2019, following the modified retrospective method of application. As such, the 2018 consolidated financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. There was no cumulative-effect impact to the 2018 consolidated net assets as a result of the adoption. BIMC has made the transition-specific election to apply the package of practical expedients which allows for the carryforward of historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. Additionally, for operating leases entered into prior to January 1, 2019, BIMC has elected to utilize the operating leases' initial lease term to determine the discount rate used to initially measure the liability. Certain other accounting policy elections and quantitative and qualitative information pertaining to BIMC's adoption of ASU 2016-02 are described in Note 5.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates

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

that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The adoption of ASU 2016-15 did not have a material impact on BIMC's consolidated financial statements.

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

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

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

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

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

Other Recent Accounting Pronouncements

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

In May 2019, the FASB issued ASU 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958),* Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities. Under ASU 2019-06, entities that elect the goodwill accounting alternative will amortize goodwill and perform a one-step impairment test, at either the entity level or the reporting unit level, only when an impairment indicator exists. Entities that elect the intangible asset accounting alternative may recognize fewer intangible assets in an acquisition, and they would be required to elect the goodwill accounting alternative. Entities that elect to adopt the alternatives do not have to demonstrate preferability and will follow the alternatives' transition guidance. Entities that elect this accounting alternative will amortize goodwill on a straight-line basis over 10 years or over a shorter period if they are able to demonstrate that another useful life is more appropriate. BIMC has not completed the process of evaluating the impact of ASU 2019-06 on its consolidated financial statements.

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

The FASB has amended certain guidance related to various disclosures in ASU 2018-13, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10)—Recognition and Measurement of Financial Assets and Financial Liabilities*, and ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. Among various provisions, ASU 2018-09 may result in additional assets included in an entity's fair value disclosure table if, among other criteria, net asset value has public visibility. ASU 2018-13 includes several disclosure changes involving transfers between the fair value levels and other updates related to fair value Level 3 investments. ASU 2018-13 also requires entities that use the practical expedient to measure the fair value of certain investments at their net asset values to disclose (1) the timing of liquidation of an investee's assets and (2) the date when redemption restrictions will lapse, but only if the investee has communicated this information to the entity or announced it publicly. The guidance in ASU 2018-14 requires all sponsors of defined benefit plans to provide certain new disclosures: the weighted-average interest crediting rate for cash balance plans and other plans with promised interest crediting rates and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. Among other changes, ASU 2018-14 eliminates the required disclosure for all sponsors of defined benefit plans to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. The updates noted above have effective dates as follows with early adoption permitted: ASU 2018-13: fiscal years beginning after December 15, 2019; and ASU 2018-14: fiscal years ending after December 15, 2021. BIMC has not completed the process of evaluating the impact of ASU 2018-13 and ASU 2018-14 on its consolidated financial statements.

Reclassifications

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

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

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

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

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

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

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

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

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

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

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

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

	2019	2018
	(In Thousands)	
Medicare	**$ 190,921**	$ 203,705
Medicare managed care	**127,235**	129,899
Medicaid, including Medicaid pending	**121,028**	121,192
Medicaid managed care	**117,755**	147,559
Blue Cross	**94,440**	94,635
Managed care	**128,734**	109,268
Commercial and other	**27,401**	19,722
Self-pay	**12,591**	5,108
	$ 820,105	$ 831,088

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

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

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

	2019	2018
	(In Thousands)	
Inpatient services	**$ 390,738**	$ 438,131
Outpatient services	**429,367**	392,957
	$ 820,105	$ 831,088

Patient accounts receivable, net is comprised of the following:

	December 31	
	2019	2018
Patient receivables	**$ 63,926**	$ 67,307
Contract assets	**4,270**	4,827
	$ 68,196	$ 72,134

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

Third-Party Payment Programs

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

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

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

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

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

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

Settlements with third-party payors (see description of third-party payor payment programs above) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and BIMC's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

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

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

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

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

	2019	**2018**
Medicare	**39%**	38%
Medicaid	**23**	25
Blue cross	**10**	12
Managed	**27**	24
Self-pay	**1**	1
	100%	100%

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

Uncompensated Care and Community Benefit Expense

For patients who are deemed eligible for charity care and patients who apply and qualify for financial aid under BIMC's financial aid policy, care given but not paid for is classified as charity care. For the years ended December 31, 2019 and 2018, the estimated cost of charity care was approximately $15.4 million and $12.4 million, respectively. The estimated cost of charity care includes the direct and indirect cost of providing charity care services and is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

Vital Access Provider Safety Net Program and Medicaid Enhanced Rates

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

The NYSDOH had also agreed to provide certain MSHG member hospitals with a temporary Medicaid rate enhancement for three years. The enhanced Medicaid rates were paid to the MSHG member hospitals directly by the Medicaid program or Medicaid managed care payors as patient services were rendered. The MSHG member hospitals recognized revenue from the VAP payments on a quarterly basis as reporting requirements were completed and approved expenditures are incurred. BIMC recognized approximately $0.4 million and $1.6 million in VAP funding revenue in 2019 and 2018, respectively. MSH recognized VAP revenue of approximately $4.0 million in 2019 ($25.0 million in 2018). All amounts related to VAP funding for the MSHG member hospitals were received by BIMC. There were no such transfers made for the year ended December 31, 2019. In accordance with VAP stipulations, MSHG spent all remaining VAP funds during the first quarter of 2019.

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

The Medicaid rate enhancement ended on March 31, 2018, and as such, no revenue was recognized in 2019. In 2018, MSH and BIMC recognized approximately $4.7 million and $1.4 million, respectively, of revenue associated with the Medicaid rate enhancements. In 2018, MSH transferred the full amount of $4.7 million, to BIMC (see Note 10). In the event that conditions of the governing agreement are not met, funding associated with the VAP program and the enhanced Medicaid rates will be refundable to the NYSDOH. Management believes the possibility that the condition will not be met is remote.

3. Investments and Assets Limited as to Use

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

	2019	2018
	(In Thousands)	
Pooled investments	**$ 24,665**	$ 22,163
Non-pooled investments:		
Short-term investments	**25,206**	24,074
Assets limited as to use	**318**	25,475
Other investments	**54,802**	194,693
	80,326	244,242
	$ 104,991	$ 266,405

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

The following table summarizes the composition of the total investment pool at December 31, 2019 and 2018; BIMC's interests in the pooled investment components is proportionate based on the ratio of its pooled investment balance to the total of the pool. BIMC owns 1.24% and 1.28% of the investment pool at December 31, 2019 and 2018, respectively.

	December 31 2019	December 31 2018
	(In Thousands)	
Cash and cash equivalents	**$ 25,165**	$ 43,870
Fixed income:		
Mutual funds	**24,153**	4,241
Equities:		
U.S. equities	**198,906**	129,962
Global equities	**59,771**	47,802
Non-U.S. equities	**168,754**	133,291
Alternative investments:		
Hedge funds:		
Long-only equity[a]	**315,111**	213,772
Hedged equity[b]	**339,801**	324,608
Long/short credit[c]	**58,749**	64,407
Open mandate[d]	**296,325**	283,157
Macro[e]	**105,610**	122,529
Private investments:		
Equity[f]	**105,763**	75,482
Credit/distressed[g]	**62,827**	65,216
Real assets[h]	**233,203**	224,672
	$ 1,994,138	$ 1,733,009

(a) Investments, consisting of publicly traded equity holdings with long positions.

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

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

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

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

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

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

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

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

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

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

BIMC was allocated a total investment return from the pool based on agreements among the pool participants and donor stipulations a gain of approximately $3.7 million for the year ended December 31, 2019, and a loss of approximately $545,000 for the year ended December 31, 2018.

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

The composition of non-pooled marketable securities and long-term investments measured at fair value on a recurring basis at December 31 is set forth in the following table:

	2019	2018
	(In Thousands)	
Cash and cash equivalents	**$ 1,195**	$ 162
U.S. government and fixed income	**26,587**	26,420
Interests in the captive insurance program *(see Note 6)*	**52,226**	192,185
Total short-term and other investments	**80,008**	218,767
Short-term investments	**25,206**	24,074
Other investments	**$ 54,802**	$ 194,693

Assets Limited as to Use

Assets limited as to use, consisting of cash and cash equivalents, and their specific designations are set forth in the following table at December 31:

	2019	2018
	(In Thousands)	
Funded depreciation	**$ 318**	$ 25,475
	$ 318	$ 25,475

In 2013, BIMC established this account in order to comply with New York State regulations which require hospitals to fund a depreciation account in order to realize Medicaid rate reimbursement for depreciation expense incurred (to the extent that the total of capital purchases and certain qualifying debt repayments made during the fiscal year are less than BIMC's depreciation expense). The decrease in amount funded in 2019 is a direct result of the increase in capital purchases during the year.

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

Investment income and gains on long-term investments, marketable securities, assets limited as to use, pooled investments, and cash and cash equivalents consist of the following for the years ended December 31:

	2019	2018
	(In Thousands)	
Interest and dividend income	**$ 3,985**	$ 2,338
Net realized gains and losses on sales of securities	**1,417**	1,328
Change in net unrealized gains and losses on investments and change in value of alternative investments	**3,407**	(2,091)
	$ 8,809	$ 1,575

4. Property, Plant, and Equipment

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

	2019	2018
	(In Thousands)	
Land and land improvements	**$ 12,360**	$ 12,360
Buildings and building improvements	**846,698**	605,589
Equipment	**1,225,391**	1,186,910
	2,084,449	1,804,859
Less: accumulated depreciation and amortization	**(1,550,846)**	(1,479,723)
	533,603	325,136
Construction in progress	**36,126**	26,335
	$ 569,729	$ 351,471

Depreciation and amortization expense was approximately $71.1 million and $63.9 million for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2019 and 2018, assets recorded in connection with finance leases aggregate approximately $213.9 million and $31.5 million, respectively, with accumulated amortization aggregating $34.7 million and $28.9 million, respectively.

4. Property, Plant, and Equipment (continued)

During 2019 and 2018, BIMC capitalized approximately $1.1 million and $847,000, respectively, of interest expense related to various construction projects.

In January 2019, BIMC entered into a thirty-year finance lease with Rivington Street Investors LLC to lease the entire building known as 45 Rivington Street, New York, New York. At lease inception, BIMC recorded a right-of-use asset – finance lease, included within buildings and building improvements and finance lease obligation (noncurrent) of approximately $182.4 million. The arrangement contains a tenant incentive of approximately $45.7 million which has reduced the related balance sheet accounts at lease inception.

5. Leases

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

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

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

5. Leases (continued)

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

Right-of-use assets		
Right-of-use assets – finance leases	$	179,202
Right-of-use assets – operating leases		179,304
Total right-of-use assets	$	358,506
Right-of-use liabilities		
Right-of-use liabilities – finance leases	$	190,046
Right-of-use liabilities –operating leases		181,469
Total right-of-use liabilities	$	371,515
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases		5,507
Operating cash flows from operating leases		181,469
Financing cash flows from finance leases		5,784
Weighted-average remaining lease term – finance leases		30.83
Weighted-average remaining lease term – operating leases		8.90
Weighted-average discount rate – finance leases		3.09%
Weighted-average discount rate – operating leases		2.77%

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

5. Leases (continued)

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

	Finance Leases	Operating Leases
	(In Thousands)	
2020	$ 1,692	$ 29,631
2021	6,943	27,802
2022	11,256	22,983
2023	10,115	20,993
2024	10,317	19,367
Thereafter	306,173	84,322
Total lease payments	346,496	205,098
Less: imputed interest	156,450	23,629
Total lease obligations	190,046	181,469
Less: current portion	753	29,631
Long–term portion	$ 189,293	$ 151,838

Total rental expense for the years ended December 31, 2019 and 2018 aggregated approximately $33.7 million and $29.0 million, respectively. Sublease income and contingent rentals were not significant. BIMC leases certain properties owned by related entities.

6. Professional Liabilities Insurance Program

Primary coverage of professional and general liability incidents has been provided through participation in a pooled program with certain other health care facilities (principally hospitals) affiliated with the Federation of Jewish Philanthropies of New York (FOJP). This occurrence-basis insurance coverage participation is with captive insurance companies and commercial insurance companies.

6. Professional Liabilities Insurance Program (continued)

As described in Note 1, BIMC, MSH, Montefiore Health System and Maimonides Medical Center, collectively the owners of HIC and FOJP, announced their agreement to sell HIC and FOJP to The Doctors Company for approximately $718.9 million, after closing adjustments. The transaction closed on July 31, 2019, and the hospitals shared in the proceeds ratably according to their ownership. HIC has provided the hospitals and related physicians with medical malpractice insurance for 40 years. Healthcare Risk Advisors (HRA) (formerly FOJP), continues to provide the same services to the Hospital and the member hospitals as prior to the transaction.

As of December 31, 2019, BIMC retained ownership interests of 25% in two captive insurance companies affiliated with the FOJP Program. BIMC follows the equity method of accounting for its investment in the captive insurance companies and has recognized its allocated share of a portion of the program's accumulated surplus.

The aggregate net carrying value of BIMC's interests in the insurance program is approximately $52.2 million and $192.2 million at December 31, 2019 and 2018, respectively, which is included in other investments in the accompanying consolidated statements of financial position. During the years ended, December 31, 2019 and 2018, BIMC received cash distributions of approximately $37.2 million and $49.0 million, respectively.

During the years ended December 31, 2019 and 2018, BIMC recorded approximately $66.9 million and $56.9 million, respectively, of net change in participation in captive insurance program in the accompanying consolidated statements of operations. Approximately $37.2 million and $29.7 million of the 2019 amount related to retroactive premium adjustments and net change in equity investments in the captive insurance companies, respectively. Approximately $31.2 million and $25.7 million of the 2018 amount related to retroactive premium adjustments and net change in equity investments in the captive insurance companies, respectively.

The estimate of professional liabilities and the estimate for incidents that have been incurred but not reported is included in professional liabilities in the accompanying consolidated statements of financial position of approximately $162.4 million ($230.6 million at December 31, 2018). BIMC has recorded related insurance recoveries receivable of approximately $162.4 million at December 31, 2019 ($230.6 million at December 31, 2018), in consideration of the expected insurance recoveries. 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.

6. Professional Liabilities Insurance Program (continued)

BIMC, as part owner of its malpractice captive, guarantees a certain level of investment return of the captive insurance companies and may be required to fund shortfalls resulting from differences between guaranteed and actual returns. BIMC was not required to fund any differences in 2019 or 2018.

BIMC's estimates of professional liabilities are based upon complex actuarial calculations, which utilize factors such as historical claims experience for BIMC 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.

At December 31, 2019, BIMC has recorded a liability of approximately $29.2 million in deferred premium payments related to its malpractice coverage ($25.7 million at December 31, 2018). Such amounts are included as components of other current liabilities and other liabilities in the accompanying consolidated statements of financial position based on scheduled payment terms.

Effective January 1, 2019, the Mount Sinai Health System Self-Insurance Trust (the Self-Insurance Trust) was established to provide coverage in excess of FOJP Program limits. Currently, MSH, BIMC, SLR, and NYEEI participate in the Self-Insurance Trust, which is irrevocable. As of December 31, 2019 and 2018, the Self-Insurance Trust held investments of approximately $7.9 million on behalf of BIMC and a receivable from BIMC of approximately $20.6 million ($3.0 million and a receivable from BIMC of approximately $8.1 million as of December 31, 2018), both of which are included in beneficial interest in self-insurance trust in the accompanying 2019 consolidated statement of financial position, and consolidated statement of operations, respectively. In addition, as of December 31, 2019 and 2018, the Self-Insurance Trust had actuarially determined liabilities of approximately $28.5 million and $11.1 million respectively, discounted at 3.5% (for each of the years ended December 31, 2019 and 2018), which is included as estimated self-insurance liability in the accompanying consolidated statements of financial position.

7. Pension and Similar Plans

BIMC provides pension and similar benefits to substantially all employees through tax sheltered annuity plans for nonunion employees and several defined benefit multi-employer plans for union employees. Contributions to these plans are generally based on gross salaries. It is BIMC's policy to fund accrued costs under these plans on a current basis.

7. Pension and Similar Plans (continued)

Contributions to tax sheltered annuity plans approximated $7.0 million and $7.2 million for the years ended December 31, 2019 and 2018, respectively. The total expense relating to union defined multi-employer pension plans amounted to approximately $34.4 million and $28.3 million for the years ended December 31, 2019 and 2018, respectively. Approximately 72% of BIMC's employees are union members.

BIMC contributions to its multi-employer pension funds for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
	(In Thousands)	
Pension fund		
1199 SEIU Health Care Employees Pension Fund[a]	**$ 34,407**	$ 28,163
1199 SEIU Health Care Employees Health & Welfare Fund[b]	**51,677**	60,779
Other pension funds[c]	**35**	112
	$ 86,119	$ 89,054

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

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

[c] Consists of three pension funds in which BIMC's contributions are individually and in the aggregate insignificant.

7. Pension and Similar Plans (continued)

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

EIN/Pension Plan Number	Pension Protection Act Zone Status[a] 2019	2018	FIP/RP[b] Status Pending	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
13-3604862/001	**Green as of 1/01/2019**	Green as of 1/01/2018	No	No	09/30/2021

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

[b] Funding improvement plan or rehabilitation plan.

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

8. Net Assets With Donor Restrictions

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

BIMC has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, BIMC classifies as within net assets with donor restrictions 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 also classified in net assets with donor restrictions until the amounts are appropriated for expenditure in accordance with a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, BIMC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of BIMC and the donor-restricted endowment fund; (3) general economic conditions; (4) the

8. Net Assets With Donor Restrictions (continued)

possible effect of inflation and deflation; (5) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due to consideration to the effect that such alternatives may have on the institution; (6) the expected total return from income and the appreciation of investments; (7) other resources of BIMC; and (8) the investment and spending policies of BIMC. BIMC's policies provide the guidelines for setting the annual spending rate (4.5%) and the treatment of any investment returns in excess of the annual spending rate. The endowment spend rate is calculated on the average three-year rolling market value of each endowed fund. Any excess investment returns beyond the spending rate, to the extent available are added to the endowed fund and classified as net assets with donor restrictions, unless also appropriated for expenditure. BIMC expends the income distributed from certain restricted assets on an annual basis in support of health care services (distributions totaled approximately $1.3 million and $1.1 million for the years ended December 31, 2019 and 2018, respectively).

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

To satisfy its long-term rate-of-return objectives, BIMC 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). BIMC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

8. Net Assets With Donor Restrictions (continued)

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

	2019	2018
	(In Thousands)	
Health education	**$ 5,452**	$ 2,374
Program improvement	**6,289**	5,356
Medical research	**7,751**	598
Capital	**1,334**	1,341
	$ 20,826	$ 9,669

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

	2019	2018
	(In Thousands)	
Investments to be held in perpetuity, the income from which is restricted as to use	**$ 21,662**	$ 22,480
Investments to be held in perpetuity, the income from which is unrestricted as to use	**1,826**	1,826
	$ 23,488	$ 24,306

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

8. Net Assets With Donor Restrictions (continued)

During 2019 and 2018, certain net assets with donor restrictions were released from restrictions as follows:

	2019	**2018**
	(In Thousands)	
Health education	**$ 831**	$ 678
Capital	**70**	720
Program improvement	**181**	399
Medical research	**391**	172
	$ 1,473	$ 1,969

9. Functional Expenses

BIMC provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2019 and 2018, are as follows:

	December 31, 2019			**December 31, 2018**		
	Health Care and Related Services	**Program Support and General Services**	**Total**	**Health Care and Related Services**	**Program Support and General Services**	**Total**
			(In Thousands)			
Salaries and wages	**$ 321,255**	**$ 58,496**	**$ 379,751**	$ 323,628	$ 59,505	$ 383,133
Employee Benefits	**116,412**	**17,395**	**133,807**	122,489	18,550	141,039
Supplies and other	**421,236**	**10,057**	**431,293**	409,421	8,693	418,114
Depreciation and amortization	**71,123**	**–**	**71,123**	63,830	30	63,860
Interest and amortization	**7,590**	**389**	**7,979**	2,813	496	3,309
	$ 937,616	**$ 86,337**	**$ 1,023,953**	$ 922,181	$ 87,274	$ 1,009,455

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

10. Related Organizations

BIMC conducts various transactions with other related organizations of MSHS. The following table summarizes amounts due (to) from related organizations at December 31:

	2019	2018
	(In Thousands)	
The St. Luke's-Roosevelt Hospital Center[a]	**$ 24,294**	$ 25,536
The St. Luke's-Roosevelt Hospital Center Loan[a]	**262**	448
The New York Eye and Ear Infirmary[b]	**955**	672
The Mount Sinai Hospital[c]	**(103,971)**	(59,143)
The Mount Sinai Hospital Loan[c]	**(105,776)**	(105,776)
Icahn School of Medicine at Mount Sinai[d]	**(29,347)**	(9,829)
	(213,583)	(148,092)
Less: current portion	**(51,807)**	(17,316)
	$ (161,776)	$ (130,776)

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

In April 2011, SLR entered into a $1.6 million loan agreement with BIMC to finance capital improvements. The loan has a ten-year term and bears interest at 5.0% per annum. Principal and interest payments are due monthly. At December 31, 2019 and 2018, the balance remaining on the loan amounted to approximately $262,000 and $448,000, respectively.

[b] Amounts due from BIMC relate to the cost of residents provided by NYEE to BIMC and amounts due to NYEE for faculty practice plan revenue billed by BIMC on behalf of NYEE.

[c] Transactions charged (at cost) by MSH to BIMC, totaled approximately $44.8 million and $48.1 million during the years ended December 31, 2019 and 2018, respectively. Included in the charges are certain employee health plan claims and premiums, which are paid by MSH and, subsequently, charged to BIMC.

In December 2017, MSH issued $382.0 million of taxable bonds for general taxable purposes. Subsequently, MSH issued a long-term intercompany loan to BIMC for approximately $105.8 million, of which the proceeds were used to pay-off all of the outstanding debt of BIMC, which MSH had previously guaranteed. The intercompany loan incurs interest at the MSH Borrowing Rate and matures in December 2040. BIMC will pay interest only for the first thirteen years of the loan, after which principal will be amortized over eighteen years.

[d] Effective January 1, 2016, all physicians affiliated with BIMC's faculty practice had migrated to ISMMS. As a result, BIMC purchases professional services from ISMMS for the clinical care of its patients, teaching and supervision of its residents, the performance of certain administrative functions, and various strategic initiatives. Net transactions charged (at cost) by ISMMS to BIMC totaled approximately $28.0 million and $34,1 million during the years ended December 31, 2019 and 2018, respectively.

11. Commitments and Contingencies

Litigation

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

Professional liability claims have been asserted against BIMC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are known incidents occurring through December 31, 2019, that may result in the assertion of additional claims and other claims may be asserted arising from services provided to patients in the past. It is the opinion of BIMC management, based on prior experience, that adequate insurance is maintained to provide for all significant professional liability losses.

Collective Bargaining Agreements

Approximately 72% of BIMC's employees are union employees who are covered under the terms of various collective bargaining agreements. The 1199 contract will expire on September 30, 2021.

Other

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

12. Fair Values of Financial Instruments

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

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

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

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

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

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

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash and cash equivalents	**$ 186,346**	**$ –**	**$ –**	**$ 186,346**
U.S. government obligations	**26,587**	**–**	**–**	**26,587**
	$ 212,933	**$ –**	**$ –**	**212,933**
Investments measured at NAV as a practical expedient:				
Pooled investments				**24,665**
				$ 237,598

12. Fair Values of Financial Instruments (continued)

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

	2018			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Cash and cash equivalents	$ 90,614	$ –	$ –	$ 90,614
U.S. government obligations	26,420	–	–	26,420
	$ 117,034	$ –	$ –	117,034
Investments measured at NAV as a practical expedient:				
Pooled investments				22,163
				$ 139,197

The tables above exclude BIMC's interests in the captive insurance program and investments held with the Self-Insurance Trust described in Notes 1 and 6.

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

Description of Investment	Carrying Value	Unfunded Commitments	Redemption Frequency	Notice Period	Funds Availability
	(In Thousands)				
Hedge funds:					
Long-only equity	$ 315,111	$ –	Monthly/5 years	30 to 90 days	3 to 30 days
Hedged equity	339,801	–	Monthly/rolling 3 years	30 to 90 days	30 to 45 days
Long/short credit	58,749	–	Quarterly	90 days	30 days
Open mandate	296,325	–	Quarterly/rolling 2 years	60 to 90 days	30 days
Macro	105,610	–	Quarterly/Semi-annually	45 to 90 days	30 days
Private investments:					
Equity	105,763	114,409	N/A	N/A	N/A
Credit/distressed	62,827	28,124	Monthly	30 days and N/A	180 days and N/A
Real assets	233,203	51,514	N/A	N/A	N/A
	$ 1,517,389	$ 194,047			

13. Other Revenue

Other revenue includes operating revenues that are not directly related to BIMC's patient services. Major items included in other revenue are revenues derived from HMO incentives of $14.6 million in 2019 and $16.9 million in 2018, pharmacy 340B program revenue of $25.7 million in 2019 and $16.0 million in 2018, rental income of $4.6 million in 2019 and $5.8 million in 2018, joint ventures of $3.0 million in 2019 and $3.8 million in 2018 and grants and contracts revenue of $5.3 million in 2019 and $6.8 million in 2018.

14. Subsequent Events

For purposes of the accompanying consolidated financial statements, BIMC has considered for accounting and disclosure events that occurred through December 4, 2020, the date the revised consolidated financial statements were issued. There were no subsequent events transactions that either resulted in recognition in the accompanying consolidated financial statements or required additional disclosure.

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

15. Department of Education Title IV

During September 2019, the U.S. Department of Education issued regulations, effective for regulatory reporting filed after June 30, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV regulations. BIMC implemented the disclosures as of January 1, 2019. The information as of and for the year ended December 31, 2019 is as follows (in thousands):

Revenues without donor restrictions	
Total operating revenue before other items	$ 902,026
Net change in unrealized gains and losses on investments and change in value of alternative investments	3,407
Net change in participation in captive insurance program	66,852
Gain on sale of captive insurance company	11,620
Total revenues without donor restrictions	$ 983,905
Assets	
Pre-implementation property, plant and equipment, net at December 31, 2018	$ 351,471
Debt financed post-implementation property, plant and equipment, net acquired subsequent to December 31, 2018:	176,600
Construction in progress	9,791
Post-implementation property, plant and equipment, net acquired without debt subsequent to December 31, 2018:	31,867
Property, plant and equipment, net	$ 569,729
Pre-implementation right-of-use assets, net at December 31, 2018	$ 2,600
Secured and unsecured related party receivable	$ 25,511
Unsecured related party receivable	$ 25,511
Liabilities	
Pre-implementation right-of-use liabilities at December 31, 2018	$ 2,967

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

Beth Israel Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

Federal Department Program Title/Pass-Through Entity/Project Name	CFDA Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
Department of Justice						
Sexual Assault Services Formula Program						
Pass-through program from New York State Coalition Against Sexual Assault	16.017	RCP02	$ –	$ –	$ 3,897	$ 3,897
Crime Victim Assistance						
Pass-through program from New York State Department of Health/Crime Victims Board	16.575	C-102236	–	–	147,515	147,515
Pass-through program from New York State Department of Health/Crime Victims Board	16.575	OVS01-C10906GG-1080200	–	–	69,532	69,532
Total Crime Victim Assistance			–	–	217,047	217,047
Consolidated and Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies						
Pass-through program from The Shalom Task Force	16.888	2017-CY-AX-0001	–	–	17,056	17,056
Grants for Outreach and Services to Underserved Populations						
Pass-through program from The Shalom Task Force	16.889	2016-UD-AX-0004	–	–	51,168	51,168
Total Department of Justice			–	–	289,168	289,168
Department of Education						
Federal Supplemental Educational Opportunity Grants	84.007		–	9,805	–	9,805
Federal Pell Grant Program	84.063		–	147,097	–	147,097
Federal Direct Student Loans	84.268		–	1,842,989	–	1,842,989
Total Department of Education			–	1,999,891	–	1,999,891

Beth Israel Medical Center and Affiliates

Schedule of Expenditures of Federal Awards (continued)

Federal Department Program Title/Pass-Through Entity/Project Name	CFDA Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
Department of Health and Human Services						
Centers for Disease Control and Prevention						
200-2012-43463 Modification for Option 3	93.RD		$ 184,892	$ –	$ –	$ 184,892
200-2012-43463 Modification for Option 4	93.RD		86	–	–	86
Total Centers for Disease Control and Prevention			184,978	–	–	184,978
Nursing Workforce Diversity	93.178		–	–	221,121	221,121
Nursing Student Loans (NSL)	93.364		–	390,860	–	390,860
HIV Emergency Relief Project Grants						
Pass-Through Public Health Solutions	93.914	09-MCM-110	–	–	355,957	355,957
Pass-Through Public Health Solutions	93.914	16-HRM-110	–	–	313,201	313,201
Pass-Through Public Health Solutions	93.914	19-CCR-110	–	–	547,254	547,254
Total HIV Emergency Relief Project Grants			–	–	1,216,412	1,216,412
Special Projects of National Significance						
Pass-Through Public Health Solutions	93.928	18-SCD-110	–	–	158	158
HIV Prevention Activities: Non-Governmental Organization Based						
Pass-Through Latino Commission on Aids	93.939	PS15-1502	–	–	137,664	137,664
HIV Prevention Activities: Health Department Based						
Pass-Through Public Health Solutions	93.940	11-HTR-110	–	–	18,903	18,903
Block Grants for Prevention and Treatment of Substance Abuse						
Pass-Through New York City Department of Health and Mental Hygiene	93.959	CT181620181406722	–	–	1,749,919	1,749,919
Total Department of Health and Human Services			184,978	390,860	3,344,177	3,920,015
Total Federal Expenditures			$ 184,978	$ 2,390,751	$ 3,633,345	$ 6,209,074

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

Beth Israel Medical Center and Affiliates

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

1. Basis of Presentation

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

Direct and indirect costs are charged to awards in accordance with cost principles contained in the United States Department of Health and Human Services *Cost Principles for Hospitals* at 45 CFR Part 74 Appendix E for awards not subject to the Uniform Guidance and 45 CFR Part 75 Appendix IX for awards subject to the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The Uniform Guidance provides for a 10% de minimis indirect cost rate election; however, BIMC did not make this election and uses a negotiated indirect cost rate.

The Schedule includes both federal awards subject to the Uniform Guidance as well as other federal awards that were funded prior to the Uniform Guidance effective date of December 26, 2014.

2. Loan Programs

BIMC administers the Nursing Student Loans Program (CFDA 93.364). The outstanding loan balance of $342,860 at January 1, 2019 and the loan disbursements of $48,000 for the year ended December 31, 2019, are considered current-year federal expenditures and are reported in the Schedule. The outstanding loan balance at December 31, 2019 is $292,328.

During the year ended December 31, 2019, BIMC processed $1,842,989 in new loans under the Federal Direct Student Loans program (CFDA 84.268). Since this program is administered by outside financial institutions, new loans made in the year ended December 31, 2019 relating to this program are considered current period financial expenditures, whereas the outstanding loan balances are not. The new loans made in the year ended December 31, 2019 are reported in the Schedule.

Building a better working world

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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
Mount Sinai Health System, Inc.

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

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered BIMC's internal control over financial reporting (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of BIMC's internal control. Accordingly, we do not express an opinion on the effectiveness of BIMC'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 BIMC's consolidated 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Ernst + Young LLP

March 31, 2020

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

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

We have audited Beth Israel Medical Center and Affiliates' (BIMC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on BIMC's major federal program for the year ended December 31, 2019. BIMC's major federal program is 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Other Matters

We performed audit procedures with respect to the Student Financial Assistance Cluster major federal program related to compliance requirements in Special Test and Provision N 9, *Gramm-Leach Bliley Act-Student Information Security* as outlined in the OMB Compliance Supplement for the year ended December 31, 2019. We determined whether BIMC has designated an individual to coordinate the information security program. We determined whether BIMC performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4 (b) and whether BIMC documented a safeguard for each risk identified from the three required to be risk assessed by 16 CFR 314.4 (b). Our audit procedures did not evaluate whether the designated individual that coordinated the information security program is competent to oversee the program nor whether the individual possessed the adequate authority to carry out those duties. Our audit procedures also did not determine whether the risk assessment sufficiently addressed the required areas, whether the risks identified are the appropriate risks or that the identified risks appear to be a complete list. Further, our audit procedures did not determine whether the documented safeguards have been put in place or that they will effectively mitigate, reduce or even address the identified risks. Our opinion on the Student Financial Assistance Cluster major federal program is not modified with respect to this matter.

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying schedule of findings and questioned costs as follows:

Finding No.	CFDA No.	or Cluster Name	Compliance Requirement
2019-001	84.268 and 84.063	Student Financial Assistance	Special Tests and Provisions – Enrollment Reporting

Our opinion on the major federal program is not modified with respect to these matters.

BIMC's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. BIMC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of BIMC 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 BIMC's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BIMC's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2019-001 as shown in the table above, that we consider to be a significant deficiency.

BIMC's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. BIMC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Ernst & Young LLP

December 4, 2020

Beth Israel Medical Center and Affiliates

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2019

Section I—Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	___ **Yes** X **No**
Significant deficiency(ies) identified?	X **Yes** ___ **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 2 CFR 200.516(a)?	X **Yes** ___ **No**

Identification of major federal programs:

CFDA Number	**Name of Federal Program or Cluster**
84.007, 84.063, 84.268, 93.364	Student Financial Assistance Cluster

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

Section II—Financial Statement Findings

There are no matters that are required to be reported.

Section III—Federal Award Findings and Questioned Costs

Finding Reference Number: 2019-001

Information on the federal program:

U.S. Department of Education

Student Financial Assistance Cluster (84.268 Federal Direct Student Loans; 84.063 Federal Pell Grant Program)

Criteria or specific requirement (including statutory, regulatory or other citation)

N. Special Tests and Provisions (Enrollment Reporting)

Condition

Under the Pell grant and ED loan programs, BIMC must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway (SAIG). BIMC determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, BIMC must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website, as per 34 CFR section 690.83(b)(2) (Pell) and; 34 CFR section 685.309 (Direct Loans). When conducting the audit of enrollment reporting, we noted that of the six reports, four were submitted late and one was not submitted at all.

Cause

BIMC had been reporting both Campus and Program-level enrollment but failed to complete the Enrollment Reporting Roster timely as the Financial Aid Officer was not aware of submission due date, or extent of information needed, to satisfy this additional requirement.

Effect or potential effect

BIMC was not in compliance with the provisions of the regulations above.

Questioned Costs

None

Section III—Federal Award Findings and Questioned Costs (continued)

Context

We noted the finding during our testing performed to evaluate BIMC's compliance with enrollment reporting and disbursements. Specifically, we noted that of the six reports, four were submitted late and one was not submitted at all.

Identification as a repeat finding

Not applicable

Recommendation

We recommend that BIMC establish more formal policies and procedures to ensure timely completion of record keeping, as required by the ED.

Views of responsible officials

Phillips School of Nursing at Mount Sinai Beth Israel ("PSON") experienced staff turnover during 2019 in the Bursar and Assistant Director of Financial Aid positions. During this time, the PSON Bursar, received two notifications from the Program Compliance Department of the U.S. Department of Education ("USDE") regarding non-compliance with student enrollment to the National Student Loan Data System ("NSLDS"). Despite interactions with the NSLDS and assurances that the issues had been resolved, in mid-January of 2020, an email notification was received, which again cited non-compliance by the PSON. At this time, the Assistant Dean, reached out to the Program Compliance Department of the USDE and it was determined that although the PSON was reporting both Campus and Program-level enrollment to NSLDS, the PSON was not reporting every student on its Enrollment Reporting Roster. Of the ones that had been reported, 100% had been certified; however, the requirement was to report all students. In the course of a few days, the PSON was able to bring the number of open students down from 449 to 1.

Management agrees it is the responsibility of PSON to comply in a timely manner with all USDE reporting requirements. The PSON does not expect a recurrence of this finding since the School has now enrolled in the National Student Clearinghouse, and that Agency will be reporting enrollment data to the NSLDS, on behalf of the PSON going forward.

Financial Responsibility Supplemental Schedule Related to U.S. Department of Education Title IV Regulations

Beth Israel Medical Center and Affiliates

Financial Responsibility Supplemental Schedule

As of and for the Year Ended December 31, 2019

Reference to Financial Statements and/or Notes	Ratio Element		Amount (In Thousands)
Primary reserve ratio			
Expendable net assets:			
Consolidated Statement of Financial Position – Net assets without donor restrictions	Net assets without donor restrictions	$	205,215
Consolidated Statement of Financial Position – Net assets with donor restrictions	Net assets with donor restrictions	$	32,760
Note 15. Department of Education Title IV	Secured and unsecured related party receivable	$	25,511
Note 15. Department of Education Title IV	Unsecured related party receivable	$	25,511
Note 15. Department of Education Title IV	Pre-implementation property, plant and equipment, net	$	351,471
Note 15. Department of Education Title IV	Debt financed post-implementation property, plant and equipment, net acquired subsequent to December 31, 2018:		176,600
Note 15. Department of Education Title IV	Construction in progress		9,791
Note 15. Department of Education Title IV	Post-implementation property, buildings and equipment, net acquired without debt subsequent to December 31, 2018:		31,867
Consolidated Statement of Financial Position – Property, plant, and equipment, net	Total post-implementation property, plant and equipment, net	$	569,729
Consolidated Statements of Changes in Net Assets – Purpose and Time Restrictions	Other restricted by purpose and time	$	20,826
Consolidated Statements of Changes in Net Assets – Permanent Endowment	Restricted in perpetuity		11,934
Consolidated Statements of Changes in Net Assets	Total net assets with donor restrictions	$	32,760

Beth Israel Medical Center and Affiliates

Financial Responsibility Supplemental Schedule (continued)

Reference to Financial Statements and/or Notes	Ratio Element	Amount (In Thousands)
Primary reserve ratio (continued)		
Expendable net assets (continued):		
Note 15. Department of Education Title IV	Pre-implementation right-of-use assets at December 31, 2018	$ 2,600
Note 5. Leases	Post-implementation right-of-use assets	$ 358,506
Note 15. Department of Education Title IV	Pre-implementation right-of-use liabilities at December 31, 2018	$ 2,967
Note 5. Leases	Post-implementation right-of-use liabilities	$ 371,515
Total expenses and losses:		
Consolidated Statement of Operations – Total operating expenses before other items	Total expenses without donor restrictions	$ 1,023,953

Beth Israel Medical Center and Affiliates

Financial Responsibility Supplemental Schedule (continued)

Reference to Financial Statements and/or Notes	Ratio Element		Amount (In Thousands)
Equity ratio			
Modified net assets:			
Consolidated Statement of Financial Position – Net assets without donor restrictions	Net assets without donor restrictions	$	205,215
Consolidated Statement of Financial Position – Net assets with donor restrictions	Net assets with donor restrictions	$	32,760
Note 15. Department of Education Title IV	Secured and unsecured related party receivable	$	25,511
Note 15. Department of Education Title IV	Unsecured related party receivable	$	25,511
Modified assets:			
Consolidated Statement of Financial Position – Total assets	Total Assets	$	1,353,722
Note 15. Department of Education Title IV	Lease right-of-use-asset pre-implementation	$	2,600
Note 15. Department of Education Title IV	Pre-implementation right-of-use liability	$	2,967
Net income ratio			
Consolidated Statement of Operations – Net decrease in assets without donor restrictions	Change in Net Assets Without Donor Restrictions	$	(40,048)
Note 15. Department of Education Title IV	Revenues without donor restrictions	$	983,905

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Phillips School of Nursing at Mount Sinai Beth Israel ("PSON") experienced staff turnover during 2019 in the Bursar and Assistant Director of Financial Aid positions. During this time, the PSON Bursar, received two notifications from the Program Compliance Department of the U.S. Department of Education ("USDE") regarding non-compliance with student enrollment to the National Student Loan Data System ("NSLDS"). Despite interactions with the NSLDS contacts, Norma and Matissa, and assurances that the issues had been resolved, in mid-January of 2020, an email notification was received, from Ron Bennet, which again cited non-compliance by the PSON.

At this time, the Assistant Dean, Bernice Pass-Stern, reached out to the Program Compliance Department of the USDE, and it was determined that although the PSON was reporting both Campus and Program-level enrollment to NSLDS, the PSON was not reporting every student on its Enrollment Reporting Roster. Of the ones that had been reported, 100% had been certified; however, the requirement was to report all students.

The corrective action plan involved the Assistant Director of Financial Aid, Joel Legurre, and the Assistant Dean, Bernice Pass-Stern, reviewing the PSON Enrollment Reporting Rosters on a daily basis. In the course of a few days, by the end of January 2020, the PSON was able to bring the number of open students down from 449 to 1.

The PSON does not expect a recurrence of this finding since the School has now enrolled in the National Student Clearinghouse, and that Agency will be reporting enrollment data to the NSLDS, on behalf of the PSON going forward. All student records were appropriately updated prior to the transfer to the National Student Clearinghouse.