

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AUDIT
REPORTS AND SCHEDULES RELATED TO THE
UNIFORM GUIDANCE

Northwell Health, Inc.
Year Ended December 31, 2021
With Reports of Independent Auditors

Ernst & Young LLP



Northwell Health, Inc.

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

Year Ended December 31, 2021

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Report of Independent Auditors

Management and the Board of Trustees
Northwell Health, Inc.

Report on the Audit of the Financial Statements

We have audited the consolidated financial statements of Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Northwell at December 31, 2021 and 2020, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northwell and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwell’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northwell's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwell's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to April 28, 2022. The accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2021, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 April 28, 2022 on our consideration of Northwell'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 Northwell'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 Northwell's internal control over financial reporting and compliance.

Ernst + Young LLP

April 28, 2022, except for our report on the schedule of expenditures of federal awards for which the date is September 28, 2022.

Northwell Health, Inc.

Consolidated Statements of Financial Position
(In Thousands)

	December 31	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 578,168	\$ 830,955
Short-term investments	4,376,827	3,619,297
Accounts receivable for services to patients, net	1,568,340	1,276,235
Accounts receivable for physician activities, net	309,853	271,784
Current portion of pledges receivable	54,323	51,076
Current portion of insurance claims receivable	43,435	45,232
Other current assets	448,807	498,422
Total current assets	7,379,753	6,593,001
Long-term investments	3,833,609	3,970,226
Pledges receivable, net of current portion	127,099	100,339
Property, plant and equipment, net	6,246,810	5,858,662
Right-of-use assets – operating leases	1,000,823	942,817
Insurance claims receivable, net of current portion	116,149	136,067
Other assets	743,368	466,603
Total assets	\$ 19,447,611	\$ 18,067,715
Liabilities and net assets		
Current liabilities:		
Short-term borrowings	\$ 409,310	\$ 95,000
Accounts payable and accrued expenses	1,170,463	1,082,632
Accrued salaries and related benefits	1,403,304	1,327,075
Current portion of operating lease obligations	133,350	132,289
Current portion of finance lease obligations	6,415	7,995
Current portion of long-term debt	64,413	58,924
Current portion of insurance claims liability	43,435	45,232
Current portion of malpractice and other insurance liabilities	192,792	187,777
Current portion of Medicare advances	632,168	374,408
Current portion of estimated payables to third-party payers	330,229	306,581
Total current liabilities	4,385,879	3,617,913
Accrued retirement benefits, net of current portion	648,799	755,697
Operating lease obligations, net of current portion	891,756	845,642
Finance lease obligations, net of current portion	244,551	250,069
Long-term debt, net of current portion	3,579,927	3,650,825
Insurance claims liability, net of current portion	116,149	136,067
Malpractice and other insurance liabilities, net of current portion	1,817,495	1,601,430
Medicare advances, net of current portion	3,622	655,821
Other long-term liabilities	967,134	908,630
Total liabilities	12,655,312	12,422,094
Commitments and contingencies		
Net assets:		
Without donor restrictions	5,871,294	4,861,852
With donor restrictions	921,005	783,769
Total net assets	6,792,299	5,645,621
Total liabilities and net assets	\$ 19,447,611	\$ 18,067,715

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31	
	2021	2020
Operating revenue:		
Net patient service revenue	\$ 10,523,685	\$ 9,081,218
Physician practice revenue	2,636,603	2,055,320
Total patient revenue	<u>13,160,288</u>	11,136,538
CARES Act Provider Relief Fund revenue	48,575	1,209,679
Other operating revenue	1,282,058	1,020,400
Net assets released from restrictions used for operations	<u>53,820</u>	63,846
	<u>14,544,741</u>	<u>13,430,463</u>
Operating expenses:		
Salaries	7,421,436	7,021,865
Employee benefits	1,630,753	1,592,007
Supplies and expenses	4,571,121	4,167,383
Depreciation and amortization	588,022	540,960
Interest	<u>156,053</u>	160,948
	<u>14,367,385</u>	<u>13,483,163</u>
Excess (deficiency) of operating revenue over operating expenses, excluding Health Insurance Companies	177,356	(52,700)
Health Insurance Companies excess of operating revenue over operating expenses	295	26,285
Total excess (deficiency) of operating revenue over operating expenses	<u>177,651</u>	<u>(26,415)</u>
Non-operating gains and losses:		
Investment income	460,495	186,311
Change in net unrealized gains and losses and change in value of equity method investments	16,387	526,009
Change in fair value of interest rate swap agreements designated as derivative instruments	700	(283)
Non-operating net periodic benefit credit	33,152	895
Other non-operating gains and losses	<u>162,741</u>	123,364
Total non-operating gains and losses	<u>673,475</u>	<u>836,296</u>
Excess of revenue and gains and losses over expenses	851,126	809,881
Net assets released from restrictions for capital asset acquisitions	25,757	44,881
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,647	(751)
Pension and other postretirement liability adjustments	165,515	(52,261)
Other changes in net assets	<u>(34,603)</u>	<u>(3,572)</u>
Increase in net assets without donor restrictions	<u>\$ 1,009,442</u>	<u>\$ 798,178</u>

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Changes in Net Assets
(In Thousands)

Years Ended December 31, 2021 and 2020

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2020	\$ 4,063,674	\$ 691,722	\$ 4,755,396
Contributions and grants	–	161,440	161,440
Investment income	–	12,519	12,519
Change in net unrealized gains and losses and change in value of equity method investments	–	28,419	28,419
Excess of revenue and gains and losses over expenses	809,881	–	809,881
Net assets released from restrictions for:			
Capital asset acquisitions	44,881	(44,881)	–
Operations	–	(63,846)	(63,846)
Non-operating activities	–	(10,959)	(10,959)
Change in fair value of interest rate swap agreements designated as cash flow hedges	(751)	–	(751)
Pension and other postretirement liability adjustments	(52,261)	–	(52,261)
Other changes in net assets	(3,572)	9,355	5,783
Increase in net assets	798,178	92,047	890,225
Net assets, December 31, 2020	\$ 4,861,852	\$ 783,769	\$ 5,645,621

	Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, January 1, 2021	\$ 4,861,852	\$ 783,769	\$ 5,645,621
Contributions and grants	–	183,473	183,473
Investment income	–	29,900	29,900
Change in net unrealized gains and losses and change in value of equity method investments	–	10,835	10,835
Excess of revenue and gains and losses over expenses	851,126	–	851,126
Net assets released from restrictions for:			
Capital asset acquisitions	25,757	(25,757)	–
Operations	–	(53,820)	(53,820)
Non-operating activities	–	(10,859)	(10,859)
Change in fair value of interest rate swap agreements designated as cash flow hedges	1,647	–	1,647
Pension and other postretirement liability adjustments	165,515	–	165,515
Other changes in net assets	(34,603)	3,464	(31,139)
Increase in net assets	1,009,442	137,236	1,146,678
Net assets, December 31, 2021	\$ 5,871,294	\$ 921,005	\$ 6,792,299

See accompanying notes.

Northwell Health, Inc.

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2021	2020
Operating activities		
Increase in net assets	\$ 1,146,678	\$ 890,225
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Permanent endowment donor contributions	(22,259)	(13,914)
Depreciation and amortization	588,022	540,960
Amortization of bond premiums, discounts and financing costs	(5,483)	(5,959)
Net realized gains and losses, change in net unrealized gains and losses and change in value of equity method investments	(446,052)	(690,437)
Change in fair value of interest rate swap agreements	(2,347)	1,034
Gain on sale of joint venture	(197,792)	-
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	(292,105)	9,307
Accounts receivable for physician activities, net	(38,069)	(15,891)
Pledges receivable	(23,173)	(10,108)
Medicare advances	(394,439)	1,030,229
Current portion of estimated payables to third-party payers	23,648	(31,670)
Accrued retirement benefits, net of current portion	(106,898)	108,959
Malpractice and other insurance liabilities	221,080	268,060
Net change in all other operating assets and liabilities	75,342	579,832
Net cash provided by operating activities	<u>526,153</u>	<u>2,660,627</u>
Investing activities		
Capital expenditures	(1,005,892)	(841,839)
Net cash from sales of (invested in) short-term and long-term investments	29,173	(1,445,219)
Payments for acquisitions and clinical joint venture investments, net	(51,424)	(39,501)
Net cash used in investing activities	<u>(1,028,143)</u>	<u>(2,326,559)</u>
Financing activities		
Principal payments on long-term debt and finance lease obligations	(71,509)	(64,269)
Payments on refunded long-term debt	(53,730)	-
Payments on short-term borrowings	(65,427)	(465,000)
Proceeds from short-term borrowings	379,737	465,000
Proceeds from long-term debt	53,730	-
Payments for financing costs	(283)	-
Proceeds from permanent endowment donor contributions	15,425	19,894
Net cash provided by (used in) financing activities	<u>257,943</u>	<u>(44,375)</u>
Net (decrease) increase in cash and cash equivalents (unrestricted and restricted)	(244,047)	289,693
Cash and cash equivalents (unrestricted and restricted), beginning of year	1,268,946	979,253
Cash and cash equivalents (unrestricted and restricted), end of year	<u>\$ 1,024,899</u>	<u>\$ 1,268,946</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (exclusive of amounts capitalized)	<u>\$ 160,979</u>	<u>\$ 165,907</u>

See accompanying notes.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (In Thousands)

December 31, 2021

1. Organization and Principles of Consolidation

Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell) is an integrated health care delivery system in the New York metropolitan area. Most entities within Northwell are exempt from Federal income taxes on related income under the provisions of Section 501(a) of the Internal Revenue Code (the Code) as organizations described in Section 501(c)(3), while certain entities are not exempt from such income taxes. The exempt organizations also are exempt from New York State and local income taxes.

The accompanying consolidated financial statements include the accounts of the following principal operating organizations. All interorganization accounts and activities have been eliminated in consolidation.

Hospitals

- North Shore University Hospital (NSUH), including Syosset Hospital
- Long Island Jewish Medical Center (LIJMC), including Long Island Jewish Hospital, Long Island Jewish Forest Hills, Long Island Jewish Valley Stream, Steven and Alexandra Cohen Children's Medical Center of New York, Zucker Hillside Hospital and Orzac Center for Rehabilitation
- Staten Island University Hospital, including the North and Prince's Bay campuses (Staten Island)
- Lenox Hill Hospital (Lenox)
- South Shore University Hospital (SSUH, formerly Southside Hospital)
- Glen Cove Hospital (Glen Cove)
- Huntington Hospital Association (Huntington)
- Plainview Hospital (Plainview)
- The Long Island Home (South Oaks Hospital)
- Phelps Memorial Hospital Association (Phelps, collectively with its subsidiaries)
- Northern Westchester Hospital Association (Northern Westchester, collectively with its subsidiaries)
- Peconic Bay Medical Center (Peconic, collectively with its subsidiaries)
- John T. Mather Memorial Hospital (Mather, collectively with its subsidiary)

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

1. Organization and Principles of Consolidation (continued)

Other Entities

- Northwell Health, Inc. and Northwell Healthcare, Inc. (HCI) – parent holding companies
- Northwell Health Stern Family Center for Rehabilitation (Stern) – skilled nursing facility and rehabilitation center
- Northwell Health Laboratories – laboratory services
- North Shore Health System Enterprises, Inc., North Shore Health Enterprises, Inc. and True North Health Services Company, LLC – holding companies for certain related entities
- RegionCare, Inc. – infusion therapy and licensed home health agency services
- North Shore Community Services, Inc. – real estate holdings and related services
- North Shore University Hospital Housing, Inc., North Shore University Hospital at Glen Cove Housing, Inc. and Hillside Hospital Houses, Inc. – housing and auxiliary facilities for staff members, students and employees
- Visiting Nurse Association of Hudson Valley, Inc. and subsidiaries – home care and hospice services
- True North Health Pharmacy, Inc. – retail pharmacy
- Staten Island Performing Provider System, LLC – population health organization
- North Shore-LIJ and Yale New Haven Medical Air Transport, LLC – medical air transport company 90% owned by Northwell
- Long Island Center for Digestive Health, LLC – outpatient endoscopy center 51% owned by Northwell
- The Feinstein Institutes for Medical Research – medical research
- Northwell Health Foundation – fundraising
- Hospice Care Network – hospice services
- Regional Insurance Company Ltd. (Regional Insurance) – captive insurance company providing excess professional liability insurance
- Montauk Risk Retention Group, Inc. – captive insurance company providing professional liability insurance
- Northwell Family Health Center at Huntington (formerly Dolan Family Health Center) – community health center
- Endoscopy Center of Long Island, LLC – outpatient endoscopy center 70% owned by Northwell
- Endo Group, LLC – outpatient ambulatory surgery center 54% owned by Northwell
- DHCH, LLC (Digestive Health Center of Huntington) – outpatient endoscopy center 51% owned by Northwell
- South Shore Surgery Center, LLC – outpatient ambulatory surgery center 67% owned by Northwell
- Suffolk Surgery Center, LLC – outpatient ambulatory surgery center 68% owned by Northwell
- Melville SC, LLC – outpatient ambulatory surgery center 50.1% owned by Northwell
- Lynbrook SC, LLC – outpatient ambulatory surgery center 100% owned by Northwell
- Affiliated professional corporations

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Principles of Consolidation (continued)

Certain members of Northwell (the Obligated Group) are jointly and severally liable for obligations under bond indentures (see Note 8). The Obligated Group consists of HCI, NSUH, LIJMC, Staten Island, Lenox, SSUH, Huntington, Glen Cove, Plainview and Stern.

Northwell maintains a controlling ownership in various entities, whose results of operations are included in the accompanying consolidated financial statements. Northwell's non-controlling interest in these entities at December 31, 2021 and 2020 is immaterial, both individually and in the aggregate, to Northwell's net assets and excess of revenue and gains and losses over expenses, as reported in the accompanying consolidated financial statements.

At December 31, 2020, Northwell had an 8% ownership interest in a joint venture which was accounted for using the equity method of accounting. At December 31, 2020, \$154,265 was reported within long-term investments in the accompanying consolidated statement of financial position for this investment. In March 2021, Northwell sold its interest in the joint venture, resulting in a net gain of \$197,792, which is included in other non-operating gains and losses in the accompanying consolidated statement of operations for the year ended December 31, 2021.

COVID-19 Impact

The global outbreak of Coronavirus Disease 2019 (COVID-19) has caused numerous and varied medical, economic and social impacts. These impacts have included widespread business and school closures and event cancellations, high unemployment and other economic and societal effects resulting from the national response to the COVID-19 crisis. There have been adverse effects on Northwell's operations and financial condition, beginning in March 2020 and continuing into 2021 as a result of the pandemic, including increased labor and non-labor expenses related to clinical care, reductions in patient volume and incremental costs in response to the crisis. The recovery of patient volume started in late May 2020 after the first COVID-19 surge in Northwell's service area. Subsequent COVID-19 surges have impacted the recovery and continue to affect Northwell's operations. Different from the first COVID-19 surge, these other surges did not result in New York State executive orders prohibiting elective or non-emergent medical services. Patient volume continues to recover; however, certain services are currently at levels lower than pre-COVID-19. The financial impact will ultimately be dependent on the duration of the pandemic, the severity of COVID-19 resurgences, the pace of economic activity and continued recovery in providing non-COVID-19 related services to patients, and the ultimate amount of federal and other relief funding received.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Principles of Consolidation (continued)

Individual Northwell entities received grants from the Coronavirus Aid, Relief and Economic Security (CARES) Act Provider Relief Fund based on various criteria and, under current guidelines issued by the US Department of Health and Human Services (HHS), these funds can be used to cover certain COVID-19 related costs and revenue losses. Additionally, on December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The CAA appropriated additional funding for COVID-19 response and relief through the Provider Relief Fund and provided several changes to the administration of the Provider Relief Fund. The consolidated statements of operations for the years ended December 31, 2021 and 2020 reflect \$48,575 and \$1,209,679 of Provider Relief Fund grant revenue, respectively. In November 2021 and March 2022, management submitted the required reports to HHS on the use of the Provider Relief Fund for the first and second reporting periods covering funds received through June 2020 and December 2020, respectively.

In addition to the amounts from the Provider Relief Fund to offset the financial impact of COVID-19, there were certain temporary Medicare payment rate enhancements provided in 2020 and 2021. Medicare advances were also made available in 2020 under the CARES Act to provide liquidity to health care providers (separate and apart from the CARES Act Provider Relief Fund grants described in the paragraph above). Northwell received approximately \$1,030,000 in Medicare advances, which have started to be repaid without interest beginning in April 2021, and repayment will continue through February 2023. Amounts expected to be repaid in the next twelve months are reflected within current liabilities in the consolidated statements of financial position at December 31, 2021 and 2020. In addition, Northwell participated in the FICA tax deferral program under the CARES Act for the employer portion of social security taxes and, as of December 31, 2021 and 2020, has deferred approximately \$115,000 and \$229,000, respectively. The employer FICA amounts deferred under this program are payable without interest with half having been paid in December 2021 and the remaining balance due by December 2022. Amounts expected to be repaid in the next twelve months are recorded in accrued salaries and related benefits in the accompanying consolidated statements of financial position at December 31, 2021 and 2020, while the remaining long-term portion at December 31, 2020 was reflected in other long-term liabilities.

Management has designated funds in assets limited as to use for the Medicare advances and FICA deferral amounts and excluded such amounts from Northwell's total unrestricted cash, cash equivalents and investments as of December 31, 2021 and 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

1. Organization and Principles of Consolidation (continued)

Management is pursuing opportunities for additional federal funding, including funding from the Federal Emergency Management Agency (FEMA) and any other funding that is or will become available. Included in other operating revenue in the consolidated statements of operations for the years ended December 31, 2021 and 2020 is approximately \$12,600 and \$28,500 of FEMA grant revenue.

Management continues to closely monitor the operational and financial impact of COVID-19. However, the ultimate net impact of the pandemic on Northwell's financial condition remains uncertain.

Health Insurance Companies

In July 2017, North Shore-LIJ Health Plan Inc. (Health Plan) filed a termination plan which was approved by the New York State Department of Health (NYSDOH) in September 2017. Health Plan ceased new enrollment in its Medicaid Managed Long-Term Care Plan and, by January 2018, had transitioned its existing members to other plans.

In August 2017, Northwell announced that it would wind down CareConnect Insurance Company, Inc. (CareConnect) and withdraw from New York State's insurance markets. The New York State Department of Financial Services approved CareConnect's plan which allowed CareConnect to stop writing and renewing annual large and small group policies effective December 1, 2017 and individual policies effective January 1, 2018.

As a result of Northwell's decision to exit the health insurance business, the net operating results of CareConnect and Health Plan (collectively, the Health Insurance Companies) from the wind down of operations are separately reported within the accompanying consolidated statements of operations for the years ended December 31, 2021 and 2020. For the year ended December 31, 2020, the Health Insurance Companies' excess of operating revenue over operating expenses includes \$25,303 for CareConnect resulting from the Supreme Court of the United States' rulings on class action lawsuits related to the Affordable Care Act's risk corridor program.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies

Consolidated Statements of Operations

The accompanying consolidated statements of operations include the excess of revenue and gains and losses over expenses as the performance indicator. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and operating expenses; peripheral or incidental transactions and unusual, nonrecurring items are reported as non-operating gains and losses.

Net assets released from restrictions for capital asset acquisitions, the change in fair value of interest rate swap agreements designated as cash flow hedges, pension and other postretirement liability adjustments and other changes in net assets are excluded from Northwell's performance indicator.

Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 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, among other provisions. Northwell adopted ASU 2018-15 effective January 1, 2021 on a prospective basis. The adoption of ASU 2018-15 did not have a material impact on the consolidated financial statements.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

In August 2018, the FASB amended certain guidance related to the disclosure requirements for defined benefit pension plans and other post-retirement plans in ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) – Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* (ASU 2018-14). 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 requirement for all sponsors of defined benefit plans to disclose the amounts in accumulated other comprehensive income (net assets without donor restrictions) expected to be recognized as components of net periodic benefit cost over the next fiscal year. ASU 2018-14 is effective for fiscal years ending after December 15, 2021. The adoption of ASU 2018-14 in 2021 did not have a material impact on Northwell's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of ASU 2016-13 and related ASU updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU are effective for Northwell for fiscal years beginning after December 15, 2022. Northwell has not completed the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

Use of Estimates

The preparation of 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, including accounts receivable for services to patients, and liabilities, including accounts payable and accrued expenses, estimated payables to third-party payers, accrued retirement benefits and malpractice and other insurance liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Northwell classifies all highly liquid financial instruments purchased with a maturity of three months or less as cash equivalents. Northwell maintains cash on deposit with major banks and invests in money market securities with financial institutions which exceed federally-insured limits. Management believes the credit risk related to these deposits is minimal. Northwell does not hold any money market funds with significant liquidity restrictions that would be required to be excluded from cash equivalents.

Cash and cash equivalents (unrestricted and restricted), as reported in the accompanying consolidated statements of cash flows, are reported within the following categories in the accompanying consolidated statements of financial position as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 578,168	\$ 830,955
Short and long-term investments	446,731	437,991
	<u>\$ 1,024,899</u>	<u>\$ 1,268,946</u>

Pledges Receivable

Pledges (promises to give), less an allowance for uncollectible amounts, are recorded as receivables in the year made at net present value and are recorded as additions to net assets with donor restrictions. Pledges receivable that are due more than one year from the consolidated statement of financial position date are discounted to reflect the present value of future cash flows.

Investments

Short-term and long-term investments include cash and cash equivalents, marketable securities and other investments. Marketable securities are classified as trading securities. Investments in debt securities, equity securities and mutual funds with readily determinable fair values are reported at fair value, based on quoted market prices. Investment transactions are recorded on the trade date.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Northwell has also invested in alternative investments, including funds of hedge funds, hedge funds, private equity funds, private real estate funds and private credit funds. These other investments are not readily marketable and are reported under the equity method of accounting. The equity method reflects Northwell's share of the net asset value of the respective funds.

Individual investment holdings of the funds of hedge funds, hedge funds, private equity funds, private real estate funds and private credit funds may include investments in both nonmarketable and market-traded securities. Valuations of these investments, and therefore Northwell's holdings, may be determined by the investment managers or general partners. Values may be based on estimates that require varying degrees of judgment. Recorded estimates may change by a material amount in the near term. The investments may indirectly expose Northwell to securities lending, short sales of securities and trading in futures and forwards contracts, options and other derivative products. However, Northwell's risk is limited to its amounts invested. At December 31, 2021, Northwell has future commitments of \$237,183 and \$81,351 to invest in private equity, private real estate and private credit funds for pension and restricted assets, respectively.

Northwell is also invested in commingled fixed income and equity funds. The underlying investment holdings of the commingled funds are predominantly marketable securities. These investments are reported either at fair value based on quoted market prices, if their fair values are readily determinable, or under the equity method of accounting, which approximates fair value. The equity method reflects Northwell's share of the net asset value of these investments.

The financial statements of the alternative investments and commingled fixed income and equity funds noted above are audited annually by independent auditors, although the timing for reporting the results of such audits for certain investments does not coincide with Northwell's annual financial statement reporting.

Other investments also include non-controlling interests in non-clinical joint ventures held by Northwell for investment purposes. Such investments are accounted for under the equity method or at cost less any impairment, adjusted for observable price changes for an identical or similar investment of the same issuer (Adjusted Cost).

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Included in short-term and long-term investments are assets limited as to use, which include funds held pursuant to debt financing arrangements, management designated funds (including malpractice and other self-insurance assets and funds set aside to repay Medicare advances), deferred employee compensation plan assets and donor restricted assets. Amounts required to meet current liabilities are reported as short-term investments. Northwell has future commitments of approximately \$390,000 at December 31, 2021 to purchase additional investments included in assets limited as to use in addition to the private equity, private real estate and private credit commitment amounts noted above.

Investment income (including realized gains and losses on investments, interest and dividends) and the change in net unrealized gains and losses and change in value of equity method investments are included in the performance indicator, unless the income or loss is restricted by donor or law. Interest and dividend income earned on Northwell's management designated malpractice and other self-insurance assets and management designated taxable debt sinking funds is recorded in other operating revenue.

Inventory of Supplies

Inventory, included in other current assets, is stated at the lower of cost or net realizable value.

Insurance Claims Receivable and Liability

For medical malpractice and similar contingent liabilities, Northwell determines such claims liabilities without consideration of insurance recoveries. Accordingly, Northwell recognizes insurance receivables at the same time that it recognizes the liabilities, measured on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible amounts in the accompanying consolidated statements of financial position. Such amounts represent the actuarially determined value of medical malpractice and other claims that are anticipated to be covered by insurance. These amounts were undiscounted at December 31, 2021 and discounted using a risk-free rate of 0.5% at December 31, 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment is stated at cost or, in the case of gifts, at fair value at the date of the gift, less accumulated depreciation and amortization. Property, plant and equipment from acquired entities that existed at their respective acquisition dates was recorded at fair value based upon an independent valuation. Depreciation and amortization of land improvements, buildings, fixed equipment and major movable equipment is computed by the straight-line method based upon the estimated useful lives of the assets, ranging from three to forty years.

Buildings and equipment under finance lease obligations and leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the asset or the lease term. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements.

During the period of construction of capital assets, interest costs are capitalized as a component of the cost of assets. When assets are disposed of, the carrying amounts of the assets and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss on disposal is included in the performance indicator. When assets become fully depreciated, the carrying amounts of such assets and the related accumulated depreciation are removed from the accounts (see Note 6).

Long-Lived Assets

Gifts of long-lived assets are reported at fair value established at the date of contribution as changes in net assets without donor restrictions, excluded from the performance indicator, unless explicit donor stipulations specify how the donated asset must be used.

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 long-lived assets are deemed to be impaired, the impairment to be recognized is measured as 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 the fair value, less costs to sell.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Other Assets

Other assets included in the accompanying consolidated statements of financial position primarily consist of goodwill and other intangible assets, investments in clinical joint ventures and a note receivable (see Note 14).

In connection with various acquisitions, Northwell has recognized goodwill and certain indefinite-lived intangible assets totaling approximately \$312,000 and \$264,000 at December 31, 2021 and 2020, respectively. These assets are subject to impairment testing on an annual basis. For the year ended December 31, 2021, \$10,347 of goodwill and intangible assets were written off, as a result of impairment testing (none in 2020).

Deferred Financing Costs

Deferred financing costs, included in long-term debt and finance lease obligations, represent costs incurred to obtain financing for various Northwell projects and initiatives. Amortization of these costs is provided over the term of the applicable indebtedness.

Interest Rate Swap Agreements

Interest rate swap agreements are reported at fair value. Fair value is estimated using discounted cash flow analyses based on current and projected interest rates with consideration of the risk of non-performance. Changes in fair value of interest rate swap agreements designated as derivative instruments are recognized in Northwell's performance indicator. Changes in fair value of interest rate swap agreements designated as cash flow hedges are excluded from the performance indicator.

Other Long-Term Liabilities

Other long-term liabilities included in the accompanying consolidated statements of financial position primarily consist of the long-term portion of estimated payables to third-party payers, the long-term portion of expected payment obligations, deferred revenue and the fair value of the interest rate swap agreements.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

Northwell separately accounts for and reports net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by an agreement between Northwell and an outside party other than the donor or grantor. Net assets with donor restrictions are those whose use by Northwell has been limited by donors to a specific time period or purpose. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, these net assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Certain net assets with donor restrictions have been restricted by donors to be maintained in perpetuity. Income from these net assets is available to support certain teaching, research and training programs.

Northwell also recognizes governmental grants where commensurate value is not exchanged as contributions when conditions and restrictions are satisfied and reports such amounts within other operating revenue or as net assets released from restrictions for capital asset acquisitions in the consolidated statements of operations.

Donor Gifts

Gifts of cash and other assets, including unconditional promises to give cash and other assets (pledges), are reported at fair value when the gift is received (or promise is made). Northwell receives conditional pledges, which are not reflected in the accompanying consolidated financial statements. The conditional pledges primarily relate to the establishment of certain programs. As the conditions of the pledges are met, the pledges are recognized. At December 31, 2021 and 2020, \$71,709 and \$66,910, respectively, of conditional pledges have not been recognized in the consolidated statements of financial position.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Contributions and pledges raised through fundraising efforts for the years ended December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Without donor restrictions	\$ 2,492	\$ 3,343
With donor restrictions	135,919	114,783
	<u>\$ 138,411</u>	<u>\$ 118,126</u>

Functional Expenses

Northwell provides health care services to residents primarily within its geographic areas and performs medical research. Expenses related to providing these services pertain to the following functional and natural categories for the years ended December 31, 2021 and 2020:

	<u>2021</u>			
	<u>Health Care Services</u>	<u>Medical Research</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 6,437,718	\$ 82,523	\$ 901,195	\$ 7,421,436
Employee benefits	1,405,434	23,137	202,182	1,630,753
Supplies and expenses	4,136,409	50,400	384,312	4,571,121
Depreciation and amortization	341,120	6,219	240,683	588,022
Interest	138,271	–	17,782	156,053
	<u>\$ 12,458,952</u>	<u>\$ 162,279</u>	<u>\$ 1,746,154</u>	<u>\$ 14,367,385</u>

	<u>2020</u>			
	<u>Health Care Services</u>	<u>Medical Research</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 6,123,887	\$ 80,828	\$ 817,150	\$ 7,021,865
Employee benefits	1,381,210	21,512	189,285	1,592,007
Supplies and expenses	3,642,250	50,498	474,635	4,167,383
Depreciation and amortization	327,031	6,316	207,613	540,960
Interest	141,679	–	19,269	160,948
	<u>\$ 11,616,057</u>	<u>\$ 159,154</u>	<u>\$ 1,707,952</u>	<u>\$ 13,483,163</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Summary of Significant Accounting Policies (continued)

The accompanying consolidated financial statements report expense categories that are attributable to more than one health care service or support function. Costs not directly attributable to a function are allocated on a functional basis using internal records and estimates.

Tax Status

Certain entities included in Northwell's consolidated financial statements are taxable entities under Federal or state laws. U.S. generally accepted accounting principles require that the asset and liability method of accounting for income taxes be utilized by these organizations and for unrelated business activities of the tax-exempt entities included in Northwell's consolidated financial statements. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

At December 31, 2021, Northwell has a deferred tax asset of approximately \$145,000, which has been fully offset by a related valuation allowance. At December 31, 2020, Northwell had a deferred tax asset of approximately \$175,000, which was partially offset by a related valuation allowance of approximately \$141,000. The deferred tax asset and related valuation allowance are recorded within other current assets in the accompanying consolidated statement of financial position. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Significant components of the deferred tax asset relate to net operating loss (NOL) carryforwards. Certain entities have NOL carryforwards aggregating approximately \$490,000 at December 31, 2021. NOL carryforwards generated prior to 2018 will expire in varying amounts through 2037 and are available to offset future taxable income of the respective entity. NOLs generated after 2017 can be carried forward indefinitely, but with limitations.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

3. Accounts Receivable and Patient Revenue

Net patient service revenue and physician practice revenue (collectively, Patient Revenue) are reported at the amount that reflects the consideration to which Northwell expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payers (including health insurers and government programs) and include various elements of variable consideration in determining a transaction price.

Northwell uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for Patient Revenue. Based on historical collection trends and other analyses, Northwell believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

Northwell's initial estimate of the transaction price for services provided to patients subject to revenue recognition 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 Northwell's standard charges. Northwell determines the transaction price associated with services provided to patients who have third-party payer coverage on the basis of contractual rates, governmental rates or established charges for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, Northwell's discount policies and historical experience. For uninsured patients who are ineligible for any government assistance program, Northwell provides services without charge or at amounts less than its established rates for patients who meet the criteria of its charity care policy. Because Northwell does not pursue collection of amounts determined to qualify as charity care, such services are not reported as Patient Revenue. For uninsured and under-insured patients who do not qualify for charity care, Northwell determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on Northwell's historical collection experience for applicable patient portfolios.

Generally, Northwell bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Patient Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Northwell. Patient Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Northwell 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,

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in Northwell's outpatient and ambulatory care centers. Northwell measures the performance obligation from admission into the hospital or the commencement of an outpatient or physician 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 or physician visit.

Substantially all of Northwell's performance obligations relate to contracts with a duration of less than one year; the unsatisfied or partially unsatisfied performance obligations referred to below are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). As such, accounts receivable related to in-house patients are considered contract assets as the performance obligation is not completed until the patients are discharged which, for the majority of the in-house patients, occurs within days or weeks after the end of the reporting period and at which point Northwell has the right to bill.

At December 31, 2021 and 2020, accounts receivable for services to patients, net is comprised of the following components:

	<u>2021</u>	<u>2020</u>
Receivables for services to patients	\$ 1,460,588	\$ 1,194,549
Contract assets (for in-house patients)	<u>107,752</u>	<u>81,686</u>
	<u>\$ 1,568,340</u>	<u>\$ 1,276,235</u>

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to Patient Revenue in the period of the change. For the years ended December 31, 2021 and 2020, changes in Northwell'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 periodically 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 in supplies and expenses in the accompanying consolidated statements of operations. Bad debt expense and the related allowance for uncollectible accounts for the years ended and as of December 31, 2021 and 2020 were not significant.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

Northwell has determined that the nature, amount, timing and uncertainty of revenue and cash flows are primarily affected by its mix of payers and services.

Patient Revenue for the years ended December 31, 2021 and 2020, by primary payer, is approximately as follows:

	<u>2021</u>	<u>2020</u>
Medicare and Medicare managed care	\$ 4,204,000	\$ 3,580,000
Medicaid and Medicaid managed care	1,826,000	1,556,000
Self-pay	68,000	68,000
Other third-party payers	7,062,000	5,933,000
	<u>\$ 13,160,000</u>	<u>\$ 11,137,000</u>

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

Patient Revenue for the years ended December 31, 2021 and 2020, disaggregated by lines of service, is as follows:

	<u>2021</u>	<u>2020</u>
Net patient service revenue:		
Hospitals	\$ 10,284,049	\$ 8,837,462
Joint venture ambulatory surgery centers	76,603	65,345
Stern (skilled nursing facility and rehabilitation center)	48,547	47,649
Hospice Care Network	48,681	50,497
RegionCare, Inc.	47,223	52,888
Other	18,582	27,377
Net patient service revenue	<u>10,523,685</u>	<u>9,081,218</u>
Physician practice revenue	2,636,603	2,055,320
Total patient revenue	<u>\$ 13,160,288</u>	<u>\$ 11,136,538</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

Third-Party Payment Programs

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

Non-Medicare

In New York State, hospitals and all non-Medicare payers (including Medicare and Medicaid managed care plans), except Medicaid, workers' compensation and no-fault insurance programs, negotiate payment rates. If negotiated rates are not established, payers are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payers pay hospital rates promulgated by the NYSDOH. Payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide prospective payment system, with retroactive and/or prospective adjustments for certain rate components paid concurrently with the settlement of the final rate. 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 Northwell is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payers will continue to be made in future years.

Medicare

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

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

Northwell has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years' payment rates, based on industry-wide and Northwell-specific data. The current Medicaid, Medicare and other third-party payer programs are based upon extremely complex laws and regulations that are subject to interpretation. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Northwell is not aware of any allegations of noncompliance 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. Medicare cost reports, which are filed individually by the applicable Northwell entities and serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through years ranging from 2000 to 2019. Other years remain open for audit and settlement, as do certain 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 and additional information is obtained.

Settlements with third-party payers 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 Patient Revenue. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and Northwell'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. Changes in estimates relating to prior year settlements were not significant for the years ended December 31, 2021 and 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

3. Accounts Receivable and Patient Revenue (continued)

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

Northwell grants credit without collateral to its patients, most of whom are insured under various third-party agreements. The significant concentrations of accounts receivable for services to patients, net at December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Medicare and Medicare managed care	32%	31%
Medicaid and Medicaid managed care	19	19
Self-pay (including balances after insurance)	4	4
Other third-party payers	45	46
	100%	100%

Charity Care

Together, charity care, implicit price concessions and bad debt expense represent uncompensated care. The estimated cost of total uncompensated care was approximately \$362,000 and \$352,000 for the years ended December 31, 2021 and 2020, respectively. The estimated cost of charity care provided was approximately \$260,000 and \$253,000 for the years ended December 31, 2021 and 2020, respectively. The estimated cost of uncompensated care and charity care is based on the ratio of cost to charges, as determined using Northwell-specific data.

The NYSDOH Hospital Indigent Care Pool (the Pool) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part, by a 1% assessment on hospital net inpatient service revenue. For the years ended December 31, 2021 and 2020, Northwell received \$83,477 and \$77,282, respectively. Northwell made payments into the Pool of \$64,679 and \$60,846 for the years ended December 31, 2021 and 2020, respectively, for the 1% assessment.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity

Northwell's cash, cash equivalents and investments are reported in the consolidated statements of financial position as presented below at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 578,168	\$ 830,955
Short-term investments	4,376,827	3,619,297
Long-term investments	<u>3,833,609</u>	<u>3,970,226</u>
Total cash, cash equivalents and investments	<u>8,788,604</u>	<u>8,420,478</u>
Less assets limited as to use:		
Management designated malpractice and other self-insurance assets	1,280,356	1,022,791
Management designated assets to repay Medicare advances	635,790	1,030,229
Other management designated assets*	1,921,169	1,927,682
Donor restricted assets	410,094	359,650
Deferred employee compensation plan assets	380,941	304,188
Assets under bond indentures and other	<u>83,216</u>	<u>98,067</u>
Total assets limited as to use	<u>4,711,566</u>	<u>4,742,607</u>
Total unrestricted cash, cash equivalents and investments	<u>\$ 4,077,038</u>	<u>\$ 3,677,871</u>

*Other management designated assets include sinking funds established to repay Northwell's taxable debt, amounts designated to fund future capital expenditures and investments, and amounts deferred under the CARES Act FICA employer tax deferral program.

The total unrestricted cash, cash equivalents and investments is used in Northwell's days cash on hand calculation, a required financial ratio for certain debt compliance covenants (see Note 8).

Short-term investments include \$968,983 and \$859,140 of assets limited as to use at December 31, 2021 and 2020, respectively. Long-term investments include \$3,742,583 and \$3,883,467 of assets limited as to use at December 31, 2021 and 2020, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity (continued)

Cash and cash equivalents, short-term investments and long term-investments, stated on the applicable measurement basis as described in Note 2, consist of the following at December 31, 2021:

	Total	Unrestricted Cash and Investments	Assets Limited as to Use
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 1,024,899	\$ 822,724	\$ 202,175
U.S. Government obligations	554,834	413,528	141,306
Corporate and other bonds	855,503	638,488	217,015
Fixed income mutual funds	726,628	553,736	172,892
Commingled fixed income funds	914,609	–	914,609
Equity securities	1,642,491	1,050,429	592,062
Equity mutual funds	1,191,878	588,168	603,710
Commingled equity funds	415,480	–	415,480
Target-age mutual funds	131,387	–	131,387
Funds of hedge funds	978,053	–	978,053
Hedge funds	519	–	519
Private equity funds	43,463	–	43,463
Private real estate funds	10,005	–	10,005
Private credit funds	24,906	–	24,906
Non-clinical joint venture investments	47,168	–	47,168
Accrued interest and other	226,781	9,965	216,816
	<u>\$ 8,788,604</u>	<u>\$ 4,077,038</u>	<u>\$ 4,711,566</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity (continued)

Cash and cash equivalents, short-term investments and long term-investments, stated on the applicable measurement basis as described in Note 2, consist of the following at December 31, 2020:

	Total	Unrestricted Cash and Investments	Assets Limited as to Use
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 1,268,946	\$ 1,015,178	\$ 253,768
U.S. Government obligations	509,496	335,619	173,877
Corporate and other bonds	760,113	506,263	253,850
Fixed income mutual funds	704,141	468,910	235,231
Commingled fixed income funds	901,918	–	901,918
Equity securities	1,481,716	854,724	626,992
Equity mutual funds	1,072,221	489,735	582,486
Commingled equity funds	390,269	–	390,269
Target-age mutual funds	99,042	–	99,042
Funds of hedge funds	839,500	–	839,500
Hedge funds	487	–	487
Private equity funds	20,801	–	20,801
Private real estate funds	5,888	–	5,888
Private credit funds	16,301	–	16,301
Non-clinical joint venture investments	198,972	–	198,972
Accrued interest and other	150,667	7,442	143,225
	<u>\$ 8,420,478</u>	<u>\$ 3,677,871</u>	<u>\$ 4,742,607</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Cash, Investments and Liquidity (continued)

Investment income and the change in net unrealized gains and losses and change in value of equity method investments are comprised of the following for the years ended December 31, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income:			
Interest and dividend income, net of fees	\$ 89,472	\$ 3,261	\$ 92,733
Net realized gains and losses	392,191	26,639	418,830
Less interest and dividend income included in other operating revenue	(21,168)	–	(21,168)
	<u>\$ 460,495</u>	<u>\$ 29,900</u>	<u>\$ 490,395</u>
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	\$ (17,678)	\$ 1,828	\$ (15,850)
Equity method investment gains	34,065	9,007	43,072
	<u>\$ 16,387</u>	<u>\$ 10,835</u>	<u>\$ 27,222</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income:			
Interest and dividend income, net of fees	\$ 74,906	\$ 3,274	\$ 78,180
Net realized gains and losses	126,764	9,245	136,009
Less interest and dividend income included in other operating revenue	(15,359)	–	(15,359)
	<u>\$ 186,311</u>	<u>\$ 12,519</u>	<u>\$ 198,830</u>
Change in net unrealized gains and losses and change in value of equity method investments:			
Change in net unrealized gains and losses	\$ 436,176	\$ 24,823	\$ 460,999
Equity method investment gains	89,833	3,596	93,429
	<u>\$ 526,009</u>	<u>\$ 28,419</u>	<u>\$ 554,428</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

4. Cash, Investments and Liquidity (continued)

Liquidity

Financial assets available for general expenditure within one year of the consolidated statement of financial position date consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 578,168	\$ 830,955
Short-term investments	3,407,844	2,760,157
Accounts receivable for services to patients, net	1,568,340	1,276,235
Accounts receivable for physician activities, net	309,853	271,784
	<u>\$ 5,864,205</u>	<u>\$ 5,139,131</u>

In addition to the assets above, Northwell also has assets limited as to use of \$968,983 and \$859,140 included within short-term investments on the accompanying consolidated statements of financial position at December 31, 2021 and 2020, respectively, which are designated to be used within the next year for specified purposes. Also, included within long-term investments on the accompanying consolidated statements of financial position at December 31, 2021 and 2020 are certain management designated assets limited as to use not currently available for general expenditure within the next year, but which could be made available if necessary. Refer to Note 2 for further discussion of assets limited as to use.

As part of Northwell's liquidity management plan, cash in excess of daily requirements is invested in marketable securities and other investments.

Additionally, Northwell has entered into various unsecured revolving credit facilities with commercial banks, as discussed in more detail in Note 8. As of December 31, 2021 and 2020, \$224,848 and \$511,460, respectively, remain available on such arrangements.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

5. Pledges Receivable

Pledges receivable at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Amounts expected to be collected in:		
Less than one year	\$ 76,094	\$ 70,264
One to five years	120,711	103,418
More than five years	34,269	25,743
	<u>231,074</u>	<u>199,425</u>
Less:		
Discount to present value future cash flows (discount rates ranging from 0.4% to 4.4%)	13,676	12,296
Allowance for uncollectible amounts	35,976	35,714
Current portion of pledges receivable	54,323	51,076
Pledges receivable, net of current portion	<u>\$ 127,099</u>	<u>\$ 100,339</u>

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization at December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 782,085	\$ 777,245
Land improvements	28,905	27,453
Buildings and fixed equipment	4,921,786	4,744,321
Movable equipment	2,653,937	2,418,564
Leasehold improvements	35,024	35,754
	<u>8,421,737</u>	<u>8,003,337</u>
Less accumulated depreciation and amortization	3,124,024	2,791,601
	<u>5,297,713</u>	<u>5,211,736</u>
Construction and other projects-in-progress	949,097	646,926
	<u>\$ 6,246,810</u>	<u>\$ 5,858,662</u>

Northwell wrote off approximately \$245,000 and \$316,000 of fully depreciated assets in 2021 and 2020, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

6. Property, Plant and Equipment (continued)

Net interest capitalized for the years ended December 31, 2021 and 2020 was approximately \$16,000 and \$13,000, respectively.

At December 31, 2021, Northwell is committed to pay approximately \$400,000 for future work on certain construction projects in progress.

7. Leases

Northwell leases certain medical offices, administrative offices and equipment under finance and operating leases. At the inception of a contract, a determination is made if the arrangement is or contains a lease. Leases are classified as either finance or operating leases, based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, among other criteria.

As of December 31, 2021 and 2020, assets acquired under finance leases of \$210,933 and \$217,662, respectively, and accumulated amortization associated with finance leases of \$32,387 and \$28,429, respectively, are recorded in property, plant and equipment, net in the consolidated statements of financial position.

Northwell's right-of-use assets pertaining to operating leases represent the right to use the agreement's underlying assets for the lease term, and the corresponding lease liabilities represent the obligation to make lease payments arising from the lease. Such right-of-use assets and lease liabilities are recognized at the lease's commencement date at the present value of lease payments over the lease term for leases with initial terms greater than one year. The present value of lease payments is calculated by utilizing the discount rate implicit in the lease, when readily determinable. For leases for which this rate is not readily determinable, Northwell uses its incremental borrowing rate for financing over a comparable period as the discount rate. A right-of-use asset and lease liability are not recognized for leases with an initial term of 12 months or less. Northwell recognizes lease expense for operating leases over the lease term within supplies and expenses on the consolidated statements of operations. The deferred rent liability resulting from recording operating lease expense using the straight-line method is reported as a reduction to the right-of-use assets – operating leases line of the accompanying consolidated statements of financial position.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Leases (continued)

Northwell's operating and finance leases have remaining lease terms, ranging from less than one year to sixty-three years, some of which may include options to extend. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the right-of-use assets and lease liabilities, unless Northwell is reasonably certain to exercise the option to extend the lease. Northwell's leases may also include variable lease payments. Variable lease payments are excluded from the amounts used to determine the right-of-use leased assets and liabilities, unless the variable lease payments depend on an index or rate or are in substance fixed payments.

Northwell does not separate lease components from non-lease components in contracts in the accounting for its lease payments. As such, Northwell accounts for the applicable non-lease components (e.g., fixed common area maintenance costs) together with the related lease components when determining the right-of-use assets and lease liabilities.

The components of lease cost included in the accompanying consolidated statements of operations for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Finance lease cost:		
Amortization of assets acquired under finance leases	\$ 10,687	\$ 7,794
Interest on finance lease obligations	16,413	15,880
Operating lease cost:		
Lease cost – leases with terms greater than one year	183,946	173,727
Short-term lease cost	5,980	5,423
Variable lease cost	35,318	30,210
Total lease cost	<u>\$ 252,344</u>	<u>\$ 233,034</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Leases (continued)

Other information related to leases and supplemental cash flows as of and for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Operating cash flows for interest on finance leases	\$ 16,413	\$ 15,880
Operating cash flows for operating leases*	177,246	166,727
Financing cash flows for finance leases	7,197	7,192
Assets acquired under new finance lease obligations	–	30,075
Right-of-use leased assets obtained in exchange for new or amended operating lease obligations	255,605	112,116
Weighted-average remaining lease term:		
Finance leases	25 years	26 years
Operating leases	10 years	11 years
Weighted-average discount rate:		
Finance leases	7.6%	7.6%
Operating leases	3.5%	4.0%

* Cash flows relating to operating lease costs for leases with terms greater than one year. Excludes variable lease costs.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Leases (continued)

The following table reconciles the undiscounted future lease payments to the lease obligations recorded on the accompanying consolidated statement of financial position at December 31, 2021:

	<u>Operating</u>	<u>Finance</u>
2022	\$ 167,135	\$ 22,456
2023	153,298	22,147
2024	141,964	21,705
2025	126,425	21,373
2026	109,228	20,262
Thereafter	562,007	432,320
Total minimum future payments	1,260,057	540,263
Less interest	234,951	287,453
Less net unamortized issuance costs	—	1,844
Total liabilities	1,025,106	250,966
Less current portion	133,350	6,415
Long-term liabilities	<u>\$ 891,756</u>	<u>\$ 244,551</u>

8. Debt

Long-Term Debt

Long-term debt at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Bonds payable at varying dates through November 2049, at fixed and variable interest rates ranging from 1.80% to 6.15%	<u>\$ 3,158,717</u>	<u>\$ 3,188,776</u>
Other long-term debt payable at varying dates through September 2045 at variable and fixed interest rates ranging from 1.60% to 4.46%	<u>473,073</u>	<u>501,726</u>
Total long-term debt	<u>3,631,790</u>	<u>3,690,502</u>
Less current portion of bonds payable	<u>31,222</u>	<u>30,149</u>
Less current portion of other long-term debt	<u>33,191</u>	<u>28,775</u>
Less net unamortized debt issuance costs	<u>22,876</u>	<u>24,587</u>
Add net unamortized bond premium	<u>35,426</u>	<u>43,834</u>
	<u>\$ 3,579,927</u>	<u>\$ 3,650,825</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Debt (continued)

Annual aggregate principal payments applicable to long-term debt for years subsequent to December 31, 2021 are as follows:

	Bonds Payable	Other Long-Term Debt	Total
Year ended December 31:			
2022	\$ 31,222	\$ 33,191	\$ 64,413
2023	30,105	31,596	61,701
2024 ^(a)	26,603	30,348	56,951
2025	26,061	30,448	56,509
2026 ^(b)	27,328	31,156	58,484
Thereafter	3,017,398	316,334	3,333,732
	<u>\$ 3,158,717</u>	<u>\$ 473,073</u>	<u>\$ 3,631,790</u>

^(a) \$53,725 of Series 2019B-2 bonds subject to mandatory tender for purchase on May 1, 2024 are excluded from the 2024 principal payments noted above. Northwell has an option to refinance these bonds at that date.

^(b) \$53,725 of Series 2019B-3 bonds subject to mandatory tender for purchase on May 1, 2026 are excluded from the 2026 principal payments noted above. Northwell has an option to refinance these bonds at that date.

Most of Northwell's debt arrangements include security agreements of various types. The agreements include, among other provisions, the pledging as collateral certain assets and revenues, and limitations on the use of assets, including restrictions on the transfer of assets to entities outside Northwell. At December 31, 2021 and 2020, the majority of Northwell's assets were pledged as collateral under the terms of various debt agreements. In addition, certain debt agreements contain covenants related to the maintenance of financial ratios, including debt service coverage ratios and days cash on hand, and the maintenance of certain debt service and other reserve funds included in assets limited as to use. At December 31, 2021 and 2020, Northwell was in compliance with the financial covenants.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Debt (continued)

Bonds Payable

Bonds payable by Northwell consist of the following at December 31, 2021:

	Interest Structure	Final Maturity	Outstanding Principal
Obligated Group			
Series 2019A (taxable)	Fixed	2049	\$ 447,675
Series 2019A	Fixed	2033	23,715
Series 2019B ^(a)	Fixed	2048 ^(g)	161,180
Series 2017A (taxable)	Fixed	2047	956,919
Series 2016A (taxable)	Fixed	2046	500,000
Series 2015A	Fixed	2043	450,815
Series 2013A (taxable)	Fixed	2043	250,000
Series 2012A	Fixed	2023	3,245
Series 2012B (taxable)	Fixed	2042	135,000
Series 2009B	Fixed	2039	50,000
Series 2009C	Fixed	2039	37,500
Series 2009D	Fixed	2039	37,500
Other			
Phelps Series 2013 ^(b)	Fixed	2038	9,520
Phelps Series 2005 A and B ^(b)	Fixed	2030	13,500
Northern Westchester Series 2014 A and B ^(c)	Fixed	2039	27,383
Northern Westchester Series 2009 ^(c)	Variable	2032	7,935
Northern Westchester Series 2004 ^(c)	Variable ^(f)	2024	3,465
Peconic Series 2006 A and B ^(d)	Variable ^(f)	2031	13,670
Peconic Series 2007 D ^(d)	Variable ^(f)	2032	7,755
Mather Series 2013 ^(e)	Variable ^(f)	2043	19,705
Mather Series 2012 ^(e)	Variable ^(f)	2022	2,235
			<u>\$ 3,158,717</u>

^(a) In 2021, Northwell refunded \$53,730 of its Series 2019B-1 bonds. As a result, Northwell is party to a direct purchase agreement with a commercial bank expiring in 2028 for its Series 2019B-1 bonds.

^(b) Phelps is party to direct purchase agreements with a commercial bank expiring in 2025 and 2030 for its Series 2013 and Series 2005 A and B bonds, respectively.

^(c) Northern Westchester is party to direct purchase agreements with two commercial banks expiring in 2024 for its Series 2014 Series bonds. Northern Westchester's Series 2009 and 2004 bonds are backed by commercial bank direct pay letters of credit expiring in 2026 and 2024, respectively.

^(d) At December 31, 2021, Peconic was party to an agented direct purchase agreement with three commercial bank parties expiring in 2022 for its three outstanding bond issues. The debt and terminated swap were refinanced on March 1, 2022, with a bank term loan expiring in 2032.

^(e) Mather is party to direct purchase agreements with a commercial bank expiring in 2023 and 2022 for its Series 2013 and 2012 bonds, respectively.

^(f) Variable rate debt is swapped to a fixed rate via interest rate swap agreements.

^(g) \$53,725, \$53,725 and \$53,730 subject to mandatory tender for purchase on May 1, 2024, May 1, 2026 and November 1, 2028, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Debt (continued)

The Series 2019A, 2017A, 2016A, 2013A and 2012B taxable bonds were issued by HCI as a joint and several obligation of the Obligated Group. The bonds of Phelps, Northern Westchester, Peconic and Mather are tax-exempt and are not obligations of the Obligated Group. All other bonds are tax-exempt and were issued through the Dormitory Authority of the State of New York (DASNY) on behalf of the Obligated Group.

In 2022, the Obligated Group intends to issue tax-exempt revenue bonds through DASNY. The proceeds of the bonds will be used primarily to fund capital expenditures of the Obligated Group and refund the Series 2009B, Series 2009C and Series 2009D bonds. The plan of financing and refunding has been approved by DASNY.

Other Long-Term Debt

Other long-term debt consists of the following at December 31, 2021:

	<u>Interest Structure</u>	<u>Final Maturity</u>	<u>Outstanding Principal</u>
Obligated Group			
2014 Private Placement Notes Payable	Fixed	2030	\$ 225,020
Other			
LIJMC's Center for Advanced Medicine			
Mortgage	Fixed	2045	189,030
Real Estate Financing	Fixed	2045	25,140
Staten Island Term Loan	Fixed	2023	6,000
Lenox Mortgage	Variable	2029	14,708
Phelps Mortgage	Fixed	2031	2,502
Northern Westchester Term Loan	Variable	2022	1,000
Other Loans	Fixed	2026	9,673
			<u>\$ 473,073</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

8. Debt (continued)

Short-Term Borrowings

Certain members of Northwell have entered into several unsecured revolving credit facilities with commercial banks with commitment availability through dates currently ranging from September 30, 2022 to November 1, 2024. Borrowings under these credit facilities are short-term and are primarily used to provide interim financing for capital projects, with repayment to be provided from bond proceeds and/or the receipt of fundraising proceeds from capital campaigns. Additionally, amounts can be used to provide backup financing for the support of the certificate of need process as required by the NYSDOH and short-term working capital to support the monthly operating cash conversion cycle. Total credit available under such arrangements was \$634,158 and \$606,460 at December 31, 2021 and 2020, respectively. Balances outstanding from these borrowings were \$409,310 and \$95,000 at December 31, 2021 and 2020, respectively. During 2021, approximately \$246,000 was drawn on short-term borrowings to fund the purchase of a mortgage note receivable on certain property for which Northwell has an option to purchase (see Note 14).

9. Fair Values of Financial Instruments

For assets and liabilities required to be measured at fair value, Northwell 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. Fair value measurements are applied based on the unit of account from Northwell's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

Northwell follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- 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.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Fair Values of Financial Instruments (continued)

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, Northwell uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

A financial instrument's categorization within the three levels of the valuation hierarchy is not indicative of the investment risk associated with the underlying assets.

Financial assets and liabilities carried at fair value as of December 31, 2021 are classified in the following table in one of the three categories described previously:

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 1,024,899	\$ —	\$ —	\$ 1,024,899
Fixed income obligations:				
U.S. Government obligations	180,646	374,188	—	554,834
Corporate and other bonds	—	855,503	—	855,503
Fixed income mutual funds	726,628	—	—	726,628
Commingled fixed income funds*	—	285,769	—	285,769
Equity securities:				
Value	782,783	—	—	782,783
Small cap	258,701	—	—	258,701
Global	386,779	—	—	386,779
Growth	214,228	—	—	214,228
Equity mutual funds	1,191,878	—	—	1,191,878
Commingled equity funds*	—	323,014	—	323,014
Target-age mutual funds	131,387	—	—	131,387
Accrued interest and other	18,438	—	—	18,438
Liabilities				
Interest rate swap agreements	—	(4,817)	—	(4,817)
	<u>\$ 4,916,367</u>	<u>\$ 1,833,657</u>	<u>\$ —</u>	<u>\$ 6,750,024</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of December 31, 2020 are classified in the following table in one of the three categories described previously:

	2020			Total
	Level 1	Level 2	Level 3	
Assets				
Cash and cash equivalents (including amounts in the investment portfolio)	\$ 1,268,946	\$ —	\$ —	\$ 1,268,946
Fixed income obligations:				
U.S. Government obligations	181,818	327,678	—	509,496
Corporate and other bonds	—	760,113	—	760,113
Fixed income mutual funds	704,141	—	—	704,141
Commingled fixed income funds*	—	406,937	—	406,937
Equity securities:				
Value	674,612	—	—	674,612
Small cap	235,490	—	—	235,490
Global	374,896	—	—	374,896
Growth	196,718	—	—	196,718
Equity mutual funds	1,072,221	—	—	1,072,221
Commingled equity funds*	—	305,049	—	305,049
Target-age mutual funds	99,042	—	—	99,042
Accrued interest and other	22,232	—	—	22,232
Liabilities				
Interest rate swap agreements	—	(7,164)	—	(7,164)
	<u>\$ 4,830,116</u>	<u>\$ 1,792,613</u>	<u>\$ —</u>	<u>\$ 6,622,729</u>

* Certain of Northwell's commingled fixed income and commingled equity fund investments are valued based on inputs not quoted in active markets, but corroborated by market data, while other commingled fixed income and commingled equity fund investments are recorded on the equity method of accounting and excluded from the fair value tables above.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

9. Fair Values of Financial Instruments (continued)

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

The amounts reported in the previous tables exclude certain amounts reported as investments, including investments under the equity method or at Adjusted Cost in the amounts of \$2,033,763 and \$1,790,585 at December 31, 2021 and 2020, respectively (see Notes 2 and 4), and assets invested in Northwell's pension plans (see Note 10).

10. Pension Plans and Other Postretirement Benefits

Pension Plans

Northwell maintains several pension plans for its employees. The following are descriptions of such plans and the respective pension expense for the years ended December 31, 2021 and 2020.

Certain members of Northwell provide pension and similar benefits to its employees through defined contribution plans. Contributions to the defined contribution plans are based on percentages of annual salaries. It is the policy of these members to fund accrued costs under these plans on a current basis. Pension expense for 2021 and 2020 related to the defined contribution plans amounted to \$220,166 and \$226,032, respectively.

Certain members of Northwell contribute to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If Northwell stops participating in any of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

Northwell’s significant participation in certain multiemployer plans for the annual period ended December 31, 2021 is outlined in the following table. The following information for the 1199SEIU Health Care Employees Pension Fund (the 1199 Plan) and the New York State Nurses Association Pension Plan (the NYSNA Plan) is included within the table:

- a. The “EIN/Pension Plan Number” column provides the plans’ Employee Identification Number (EIN) and the three-digit plan number.
- b. The most recent “Pension Protection Act Zone Status” available in 2021 and 2020 is for a plan’s year-end at December 31, 2020 and 2019, respectively, and is based on information that Northwell received from the plans and is certified by the plans’ actuaries. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded.
- c. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
- d. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of Northwell		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreements
		2021	2020		2021	2020		
1199 Plan ^(a)	13-3604862/001	Green as of 1/1/21	Green as of 1/1/20	N/A	\$ 104,574	\$ 101,594	No	1/15/2022 to 11/30/2024
NYSNA Plan ^(a)	13-6604799/001	Green as of 1/1/21	Green as of 1/1/20	N/A	\$ 16,092	\$ 16,037	No	10/12/21 to 3/31/2024

^(a)Northwell was listed in the 1199 and NYSNA plans’ Forms 5500 as providing more than 5% of the total contributions during each of the plans’ 2020 and 2019 plan years. Forms 5500 are not yet available for the plan year ended in 2021.

In addition to the plans noted in the table above, Northwell also participates in several other multiemployer plans. Contributions for these other plans totaled \$994 and \$1,079 for the years ended December 31, 2021 and 2020, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

Northwell maintains various deferred compensation plans pursuant to Section 457(b) of the Code (the 457(b) Plans). Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Non-elective employer contributions may also be made for some of the 457(b) Plans. Payments upon retirement or termination of employment are based on amounts credited to the individual accounts. The assets and corresponding liability for the 457(b) Plans and other deferred compensation plans, included in long-term investments and accrued retirement benefits in the accompanying consolidated statements of financial position, totaled \$380,941 and \$304,188 at December 31, 2021 and 2020, respectively.

Defined Benefit Pension Plans

Certain employees are covered by noncontributory defined benefit pension plans (the Plans), with the Cash Balance Plan being the primary plan. Northwell recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of the Plans in its consolidated statements of financial position.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

The following tables provide a reconciliation of the changes in the Plans' aggregated projected benefit obligation and fair value of plan assets for the years ended December 31, 2021 and 2020 and the funded status and accumulated benefit obligation of the Plans as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Reconciliation of the projected benefit obligation		
Obligation at January 1	\$ 3,113,546	\$ 2,937,788
Service cost	115,268	105,108
Interest cost	86,450	102,882
Plan amendments	44,605	870
Actuarial (gain) loss	(51,368)	237,761
Benefit payments	(124,410)	(92,466)
Settlements	(912)	(178,397)
Obligation at December 31	<u>\$ 3,183,179</u>	<u>\$ 3,113,546</u>
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	\$ 2,707,553	\$ 2,573,088
Actual return on plan assets	297,803	298,176
Employer contributions	106,359	107,152
Benefit payments	(124,410)	(92,466)
Settlements	(912)	(178,397)
Fair value of plan assets at December 31	<u>\$ 2,986,393</u>	<u>\$ 2,707,553</u>
Funded status		
Funded status at December 31	<u>\$ (196,786)</u>	<u>\$ (405,993)</u>
Accumulated benefit obligation at December 31	<u>\$ 2,983,505</u>	<u>\$ 2,899,323</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

The current portion of accrued retirement benefits related to the Plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is \$852 and \$853 at December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, certain plans were funded with plan assets at a level exceeding their respective projected benefit obligation. As a result, their funded status of \$16,449 and \$5,793 are included in other assets in the accompanying consolidated statements of financial position as of December 31, 2021 and 2020, respectively.

The actuarial gain in 2021 and actuarial loss in 2020 is primarily due to changes in the discount rate used in the measurement of the Plans' benefit obligation. The settlements recorded in 2020 were primarily due to the purchase of annuities for in-payment participants that had a monthly benefit payment of \$0.5 or less.

Included in net assets without donor restrictions at December 31, 2021 and 2020 are the following amounts related to the Plans that have not yet been recognized in net periodic benefit cost:

	<u>2021</u>	<u>2020</u>
Unrecognized actuarial loss	\$ (504,625)	\$ (727,404)
Unrecognized prior service cost	(49,314)	(12,151)
	<u>\$ (553,939)</u>	<u>\$ (739,555)</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

The following table provides the components of the net periodic benefit cost for the Plans for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Service cost (included in employee benefits)	<u>\$ 115,268</u>	<u>\$ 105,108</u>
Interest cost on projected benefit obligation	86,450	102,882
Expected return on plan assets	(173,661)	(161,350)
Amortization of actuarial loss	47,179	42,173
Amortization of prior service cost	7,442	9,739
Settlement loss	90	5,701
Total included in non-operating net periodic benefit credit	<u>(32,500)</u>	<u>(855)</u>
Net periodic benefit cost	<u>\$ 82,768</u>	<u>\$ 104,253</u>

Prior service costs are amortized over the average remaining service period of active participants. Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligations and the market-related value of assets are amortized over the average remaining service period of active participants.

The assumptions used in the measurement of the Cash Balance Plan's benefit obligations at December 31, 2021 and 2020 are shown in the following table:

	<u>2021</u>	<u>2020</u>
Discount rate	3.04%	2.75%
Rate of compensation increase	4.00%	4.00%
Interest crediting rate	1.98%	1.54%

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

The assumptions used in the measurement of the Cash Balance Plan's net periodic benefit cost for the years ended December 31, 2021 and 2020 are shown in the following table:

	<u>2021</u>	<u>2020</u>
Discount rate	2.75%	3.50%
Expected long-term rate of return on plan assets	6.50%	6.50%
Rate of compensation increase	4.00%	4.00%
Interest crediting rate	1.54%	2.21%

The Cash Balance Plan comprises 88.2% and 86.5% of the Plans' total projected benefit obligation as of December 31, 2021 and 2020, respectively, and 78.4% and 83.8% of the net periodic benefit cost for the years ended December 31, 2021 and 2020, respectively.

Benefit payments for the Plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

2022	\$ 143,215
2023	144,557
2024	152,065
2025	160,054
2026	167,089
2027 to 2031	887,457

Northwell expects to make contributions of approximately \$3,000 to the Plans in 2022.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

Defined Benefit Pension Plan Assets

The fair values of the Plans' assets at December 31, 2021, by asset category, are as follows:

Asset Category	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 32,423	\$ –	\$ –	\$ 32,423
Fixed income obligations:				
U.S. Government obligations	23,537	90,135	–	113,672
Corporate and other bonds	–	172,773	–	172,773
Fixed income mutual funds	155,863	–	–	155,863
Commingled fixed income funds	–	288,718	–	288,718
Equity securities:				
Value	132,031	–	–	132,031
Small cap	92,637	–	–	92,637
Global	365,440	–	–	365,440
Growth	71,664	–	–	71,664
Equity mutual funds	316,661	–	–	316,661
Commingled equity funds	–	111,485	–	111,485
Accrued interest and other	3,579	–	–	3,579
	\$ 1,193,835	\$ 663,111	\$ –	1,856,946
Assets measured at net asset value:				
Commingled fixed income funds				189,265
Commingled equity funds				72,744
Funds of hedge funds				430,789
Hedge funds				16
Private equity funds				264,711
Private credit funds				101,976
Private real estate funds				69,946
Total assets at fair value				\$ 2,986,393

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

The fair values of the Plans' assets at December 31, 2020, by asset category, are as follows:

Asset Category	Level 1	Level 2	Level 3	Total
Cash and short-term investments	\$ 81,884	\$ –	\$ –	\$ 81,884
Fixed income obligations:				
U.S. Government obligations	17,894	75,909	–	93,803
Corporate and other bonds	–	131,598	–	131,598
Fixed income mutual funds	142,927	–	–	142,927
Commingled fixed income funds	–	297,708	–	297,708
Equity securities:				
Value	129,720	–	–	129,720
Small cap	78,477	–	–	78,477
Global	317,034	–	–	317,034
Growth	63,644	–	–	63,644
Equity mutual funds	313,746	–	–	313,746
Commingled equity funds	–	106,284	–	106,284
Accrued interest and other	7,011	–	–	7,011
	\$ 1,152,337	\$ 611,499	\$ –	1,763,836
Assets measured at net asset value:				
Commingled fixed income funds				174,690
Commingled equity funds				66,617
Funds of hedge funds				406,697
Hedge funds				16
Private equity funds				162,560
Private credit funds				75,608
Private real estate funds				57,529
Total assets at fair value				\$ 2,707,553

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

Assets invested in the Plans are carried at fair value. Debt and equity securities and certain commingled funds with readily determinable values are carried at fair value, as determined based on independent published sources. Other commingled funds and alternative investments are stated at fair value, determined by using net asset value as a practical expedient, as permitted by generally accepted accounting principles, rather than using another valuation method to independently estimate fair value (see Note 2).

The following is a summary of assets in the Plans at December 31, 2021 (by asset category) with redemption restrictions:

	Asset Value	Redemption Period (Including Notice Period)
Commingled fixed income funds	\$ 477,983	1 day to 60 days
Commingled equity funds	184,229	2 days to 45 days
Funds of hedge funds	430,789	61 days to 29 months

Private equity, private credit and private real estate funds have long lifecycles with distributions not expected for several years. In the instance of certain redemptions, some investments noted above may require an extended waiting period to receive a remainder portion of the redemption.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

Basis Used to Determine the Expected Long-Term Rate of Return on Assets

The overall expected long-term rate of return on assets assumption is based upon a long-term building-block approach adjusted for current market conditions. First, return expectations for each asset class are developed with economic and fundamental drivers such as inflation, dividends and real earnings growth for stocks and real yields, defaults and recoveries for bonds. These expectations assume that market levels at the beginning of the forecast period are in a state of equilibrium. With the understanding that markets are more often than not in some state of disequilibrium, the “next ten year” return forecasts are adjusted to reflect the starting point for inflation expectations, interest rate levels and market risk premiums relative to historically normal market levels. The fundamental building blocks used to develop the long-term equilibrium return expectations are based on a combination of consensus forecasts and long-term historical averages. The historical data is adjusted to reflect any fundamental changes that have occurred in the relative markets.

Once long-term equilibrium forecasts are developed, returns are adjusted for the next ten years to reflect the current environment as it relates to the key economic variables that influence returns across the capital markets. In doing so, the expected path for breakeven inflation, real interest rates and investment grade corporate bond spreads are modeled for the next ten years. In this framework, the investment grade corporate spreads are used as a proxy for the risk premium priced broadly into a number of asset classes within the capital markets.

While the precise expected return derived using the above approach will fluctuate somewhat from year to year, the Plans’ policy is to hold this long-term assumption constant as long as it remains within a reasonable tolerance from the derived rate.

Description of Investment Policies and Strategies

The Plans’ overall investment strategy is to achieve wide diversification of asset types, fund strategies and fund managers. Equity securities include investments in domestic, international, global and emerging markets equities. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, emerging markets debt and U.S. Treasuries. Other types of investments include investments in commingled funds and alternative investments that follow several different strategies.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

There are specific guidelines and diversification standards for each investment manager. Eligible investments are specifically outlined. Each manager must disclose its strategies and report that it abides by the Employee Retirement Income Security Act of 1974 rules, where applicable.

The Cash Balance Plan's asset allocation at December 31, 2021 and 2020, by asset category, is as follows:

	2021	2020	Target Allocation
Cash and short-term investments	1.3%	3.7%	1.0%
Fixed income obligations, including commingled fixed income funds	29.7	30.0	29.5
Equity securities, including commingled equity funds	38.0	37.5	24.5
Alternative investments	31.0	28.8	45.0
	100.0%	100.0%	100.0%

The target allocation percentages are set as long-term diversification objectives to be met over time, as the portfolio increases the allocation to alternative investments.

The Cash Balance Plan comprises 93.6% and 90.2% of the Plans' total fair value of plan assets as of December 31, 2021 and 2020, respectively.

Other Postretirement Benefits

Certain employees are covered by the Northwell Health Retiree Medical and Life Insurance Plan and other postretirement benefit plans other than pensions. As of December 31, 2021 and 2020, the total funded status of the plans was a liability of \$58,178 and \$43,191, respectively. The current portion of accrued retirement benefits related to the plans, included in accrued salaries and related benefits in the accompanying consolidated statements of financial position, is \$2,703 and \$2,615 at December 31, 2021 and 2020, respectively.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

10. Pension Plans and Other Postretirement Benefits (continued)

For the years ended December 31, 2021 and 2020, there was a net periodic benefit cost (credit) related to these plans of \$497 and \$1,210, respectively, of which (\$652) and (\$40), respectively, was recorded within non-operating net periodic benefit credit in the accompanying consolidated statements of operations.

11. Malpractice and Other Insurance Liabilities

Malpractice

Northwell provides for potential medical malpractice losses through a combination of a self-insurance program and purchased primary and excess insurance, on both a claims-made and occurrence basis, as follows:

Primary Insurance Program

From January 2003 through December 2016, Northwell purchased primary malpractice insurance on an occurrence basis, covering most hospitals and providers. The policies provided coverage with limits of \$1,000 per claim and a \$50,000 annual policy aggregate through 2009. Effective January 2010, the program retained \$750 of the primary coverage per indemnity claim, while aggregate limits increased to \$60,000. Effective January 2013, the retention level increased to \$900 per claim. Effective January 2017, Northwell decided to fully self-insure the primary layer covering most hospitals and providers up to \$1,000 per claim.

In December 2002, Northwell purchased a tail insurance policy to cover unreported occurrences from its prior claims-made primary insurance program.

The estimated undiscounted liability for the retained primary coverage and losses in excess of the insured primary aggregate at December 31, 2021 and 2020 was \$983,689 and \$883,576, respectively. At December 31, 2021, the liability was recorded at its undiscounted value. At December 31, 2020, the liability was recorded at the actuarially determined present value of \$868,540, based on a discount rate of 0.5%. At December 31, 2020, malpractice and other insurance liabilities were discounted based on the expected timing of the actuarially estimated future claim payments under the programs, using a risk-free rate.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Malpractice and Other Insurance Liabilities (continued)

Excess Insurance Coverage

Regional Insurance covers certain excess malpractice losses above the primary per claim limit, on a claims-made basis. Additional commercial excess malpractice insurance is purchased on a claims-made basis for excess coverage layers above the Regional Insurance per claim limit.

Regional Insurance's estimated undiscounted reserves for losses and loss expenses outstanding at December 31, 2021 and 2020 were \$76,674 and \$85,813, respectively. At December 31, 2021, the liability was recorded at its undiscounted value. At December 31, 2020, the liability was recorded at the actuarially determined present value of \$85,193, based on a discount rate of 0.5%.

Effective January 1, 2015, the annual aggregate excess coverage provided by Regional Insurance was significantly reduced to \$6,500, and was subsequently increased to \$7,750 effective January 1, 2018, \$8,375 effective January 1, 2019 and \$9,000 effective January 1, 2020. The undiscounted liability for the estimated losses in excess of Regional Insurance's aggregate excess coverage at December 31, 2021 and 2020 totaled \$458,273 and \$384,204, respectively. At December 31, 2021, the liability was recorded at its undiscounted value. At December 31, 2020, the liability was recorded at the actuarially determined present value of \$377,122, based on a discount rate of 0.5%.

The estimated undiscounted incurred but not reported liability for claims in excess of primary insurance layers at December 31, 2021 and 2020 was \$134,361 and \$146,856, respectively. At December 31, 2021, the liability was recorded at its undiscounted value. At December 31, 2020, the liability was recorded at the actuarially determined present value of \$141,792, based on a discount rate of 0.5%.

Other Self-Insurance Coverage

For certain years, certain Northwell hospitals and physicians were covered for malpractice claims under various other insured and self-insured arrangements. For self-insured claims and incidents, Northwell has reserved \$30,884 and \$37,085 at December 31, 2021 and 2020, respectively. At December 31, 2021, the liability was recorded at its undiscounted value. At December 31, 2020, the liability was recorded at the actuarially determined present value, based on a discount rate of 0.5%.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Malpractice and Other Insurance Liabilities (continued)

Malpractice claims have been asserted against Northwell by various claimants. These claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents that have occurred through December 31, 2021 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 Northwell's management that adequate insurance, including self-insurance, and malpractice reserves are being maintained to cover potential malpractice losses.

Workers' Compensation

In June 2013, Northwell changed its workers' compensation insurance program from a guaranteed cost program to a high deductible program with a \$1,000 per claim retention level. At December 31, 2021 and 2020, the estimated undiscounted liability for retained losses under this program was \$281,095 and \$246,607, respectively. At December 31, 2021, the liability was recorded at its undiscounted value. At December 31, 2020, the liability was recorded at the actuarially determined present value of \$239,038, based on a discount rate of 0.5%.

Prior to joining Northwell's high deductible program, certain hospitals had various self-insured programs for workers' compensation claims. At December 31, 2021 and 2020, Northwell has reserved \$14,489 and \$16,011, respectively, for these self-insured losses. At December 31, 2021, the liability was recorded at its undiscounted value. At December 31, 2020, the liability was recorded at the actuarially determined present value, based on a discount rate of 0.5%.

Other Insurance

Some of Northwell's other insurance programs, including general liability, have a component of self-insurance or high deductibles. Liabilities for these other insurance programs were not significant at December 31, 2021 and 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Other Operating Revenue

Other operating revenue consists of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Laboratory services	\$ 571,551	\$ 371,391
Pharmacy sales	293,142	206,105
Grants and contracts	155,820	177,076
Clinical joint venture income	35,394	22,395
Rental income	33,697	34,670
Group purchasing revenue	30,618	46,432
Investment income <i>(see Note 4)</i>	21,168	15,359
Health plan risk pool distributions	16,613	39,686
Cafeteria and gift shop sales	15,627	14,325
Health plan care coordination revenue	12,654	11,674
Parking income	4,730	4,106
All other	91,044	77,181
	<u>\$ 1,282,058</u>	<u>\$ 1,020,400</u>

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Net Assets

Donor restricted net assets at December 31, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Teaching, research, training and other	\$ 458,814	\$ 387,786
Capital projects and purchases of equipment	193,503	148,006
Permanent endowments	268,688	247,977
	<u>\$ 921,005</u>	<u>\$ 783,769</u>

Northwell's endowments consist of donor restricted funds, the income from which is available for a variety of purposes.

Northwell follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to its permanent endowments. Northwell 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 funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Northwell classifies as net assets with donor restrictions to be maintained in perpetuity: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining income from the permanent endowments is classified as net assets with donor restrictions to be used for described purposes or over specified periods of time until those amounts are appropriated for expenditure. Northwell 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 purpose of the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of Northwell.

Northwell's investment and spending policies for endowment assets seek to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Northwell must hold in perpetuity or for a donor-specified term. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that expects to generate an average annual return over time in excess of 5.0%. Actual returns in any given year may vary from this amount.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)
(In Thousands)

13. Net Assets (continued)

To satisfy its long-term rate-of-return objectives, Northwell 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). Northwell targets a diversified asset allocation that consists of equities, fixed income and alternative investments.

Northwell has a policy of appropriating for distribution each year, amounts determined using historical returns on its endowment funds' corpus, not to exceed 7.0%. In establishing this policy, Northwell considered the long-term expected return on its endowments.

For the years ended December 31, 2021 and 2020, Northwell had the following activity related to its endowment assets, including amounts to be held in perpetuity and earnings which may be expended:

	<u>2021</u>	<u>2020</u>
Endowment balance, beginning of year	\$ 349,569	\$ 309,625
Investment return:		
Investment income	29,900	12,519
Net appreciation	10,835	28,419
Total investment return	<u>40,735</u>	40,938
Contributions and other*	20,711	9,793
Amounts appropriated for expenditure	<u>(12,521)</u>	(10,787)
Net change in endowment funds	<u>48,925</u>	39,944
Endowment balance, end of year	<u>\$ 398,494</u>	<u>\$ 349,569</u>

*Contributions include pledges receivable for permanently restricted purposes.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Northwell to retain as a fund of perpetual duration. There was no such deficiency as of December 31, 2021 and 2020.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

14. Commitments and Contingencies

Litigation and Claims

Northwell is involved in litigation and claims which are not considered unusual to its business. While the ultimate outcome of these lawsuits cannot be determined at this time, it is the opinion of management that the ultimate resolution of these claims will not have a material adverse effect on the accompanying consolidated financial statements.

Collective Bargaining Agreements

At December 31, 2021, approximately 28% of Northwell's employees are union employees who are covered under the terms of various collective bargaining agreements. Certain collective bargaining agreements which represent approximately 10% of union employees (3% of total employees) have expired, or will expire within the next year and are currently being renegotiated.

Letters of Credit and Surety Bonds

At December 31, 2021, \$11,543 in direct-pay letters of credit were maintained with a commercial bank to secure certain Northern Westchester bond issues.

At December 31, 2021, four commercial banks are providing a total of \$366,842 in commitments, solely to support letters of credit required for Northwell's high deductible workers' compensation and vehicle insurance programs. At December 31, 2021, \$170,473 in secured standby letters of credit were maintained with the banks, and \$196,369 of the commitments remain available for future letters of credit. At December 31, 2021, there was also a \$72,000 surety bond supporting these programs.

In addition, at December 31, 2021, \$16,589 in direct-pay letters of credit or surety bonds was maintained to support other workers' compensation insurance programs at certain Northwell hospitals.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued) (In Thousands)

14. Commitments and Contingencies (continued)

Other Commitments and Contingencies

In 2008, Hofstra University (the University) and Northwell entered into a joint academic agreement to establish what is now known as the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell (the Medical School), at the University, while remaining as separate corporations with separate governance. Under the agreement, Northwell will reimburse the University each academic year for a portion of the Medical School's annual costs, with amounts indexed to the Medical School tuition. Such reimbursement is contingent upon annual approval by the boards of Northwell and the University. Northwell shall not advance funds to the University that have not yet been spent in connection with the Medical School. Northwell also provides funding annually for Medical School scholarships and student loans, with amounts indexed to the Medical School tuition.

In April 2015, Northwell entered into a strategic affiliation with Cold Spring Harbor Laboratory (CSHL). Under the terms of this affiliation, Northwell and CSHL will continue as independent organizations governed by their respective boards of trustees. The goals of the affiliation include advancing cancer diagnostic and therapeutic research, developing a new clinical cancer research unit at Northwell to support early-phase clinical studies of new cancer therapies, and recruiting and training more clinician-scientists in oncology. Pursuant to the agreement, Northwell is committed to pay CSHL \$15,000 annually throughout the remaining term of the affiliation.

In August 2015, Northwell entered into a clinical affiliation and collaboration agreement with Maimonides Medical Center (Maimonides), a not-for-profit acute care hospital located in Brooklyn, New York. The purpose of the affiliation is to pursue collaborative activities, such as clinical integration initiatives and ambulatory services joint ventures, as well as service agreements that may generate operational efficiencies. Under the terms of the affiliation agreement, Northwell and Maimonides will remain independent organizations governed by their respective boards of trustees. Pursuant to the affiliation agreement, the parties have also entered into an unsecured loan agreement, whereby through August 2017, Northwell loaned a total of \$125,000 to Maimonides. Payments on the loan and accrued interest thereon would not commence until the termination of the affiliation agreement. However, if Northwell becomes the sole member and corporate parent of Maimonides, outstanding amounts borrowed under the loan agreement, including accrued interest, will be forgiven.

Northwell Health, Inc.

Notes to Consolidated Financial Statements (continued)

(In Thousands)

14. Commitments and Contingencies (continued)

In August 2018, Northwell entered into an option agreement with a third party that acquired property on the Upper East Side of Manhattan. Under the agreement, Northwell is given the option to purchase the property at a defined price at certain future dates. The initial option agreement was for a three-year period with optional extension periods through August 2023. In November 2021, the option agreement was amended and extended the option period until February 2024. Using short-term borrowings (see Note 8), Northwell acquired the existing mortgage and recorded a note receivable of approximately \$246,000 for amounts due from the property owner. The note receivable is recorded in other assets in the accompanying consolidated statement of financial position.

In the normal course of business, Northwell enters into multi-year contracts with vendors, suppliers and service providers for goods or services to be provided to Northwell. Under the terms of such agreements, Northwell may be contingently liable for termination or other fees in the event of contract termination or default. Northwell does not believe that such contingent liabilities, should they become due, would have a material impact on its consolidated financial statements.

15. Subsequent Events

Management has evaluated the impact of subsequent events through April 28, 2022, representing the date at which the consolidated financial statements were issued.

Except for those disclosed in Notes 1 and 8, no events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

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

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services						
Direct grants and contracts:						
National Institutes of Health	93.172, 93.213, 93.226, 93.242, 93.273, 93.310, 93.361, 93.393, 93.395, 93.396, 93.837, 93.838, 93.839, 93.846, 93.847, 93.853, 93.855, 93.859, 93.865, 93.866				\$ 26,996,087	\$ 3,166,850 (a)
Office of the Assistant Secretary for Health: Research on Research Integrity	93.085				33,802	–
Health Resources and Services Administration:						
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153				754,354	– (b)
COVID-19 Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153				4,416	– (b)
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461				16,893,242	–
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498				1,344,937,050	–
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924				245,559	–
Primary Care Medicine and Dentistry Clinician Educator Career Development Awards	93.976				82,724	–
					<u>1,362,917,345</u>	<u>–</u>

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services						
Direct grants and contracts (continued):						
Substance Abuse and Mental Health Services: Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			\$ -	\$ 535,156	\$ -
Centers for Disease Control and Prevention: Occupational Safety and Health Program	93.262			484,064	484,064	-
HIV Prevention Activities Non-Governmental Organization Based	93.939			-	460,117	67,709
				484,064	944,181	67,709
Subtotal direct grants and contracts				27,480,151	1,391,426,571	3,234,559
Pass-through programs:						
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	Icahn School of Medicine at Mount Sinai	0258-9339-4609	29,184	29,184	-
Maternal and Child Health Federal Consolidated Programs	93.110	Icahn School of Medicine at Mount Sinai	0253-6540-4609	-	26,066	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	New York University on behalf of its Grossman School of Medicine	17-A0-00-008205	-	23,184 (b)	-
Research Related to Deafness and Communication Disorders	93.173	The Trustees of Columbia University in the City of New York	1(GG015788)	118,050	118,050	-
Research on Healthcare Costs, Quality and Outcomes	93.226	The Trustees of Columbia University in the City of New York	11(GG011646-05)	2,799	2,799	-
Research on Healthcare Costs, Quality and Outcomes	93.226	University of Pittsburgh	CNVA00061498(131173-3)	3,226	3,226	-
Total 93.226				6,025	6,025	-
		The Board of Regents of the University System of Georgia by and on behalf of Georgia Institute of Technology	AWD-102917-G2	172,423	172,423	-
Mental Health Research Grants	93.242	Center for Addiction & Mental Health	21-219 / 20-239	230,580	230,580	-
Mental Health Research Grants	93.242	The Johns Hopkins University	2004510715	63,781	63,781	-

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services						
Pass-through programs (continued):						
Mental Health Research Grants	93.242	Research Foundation for Mental Hygiene, Inc.	5R01MH111439-05 / 5R01MH120597-02 / 5R01MH120597-03	\$ 98,027	\$ 98,027	\$ -
Mental Health Research Grants	93.242	Rhode Island Hospital	7137547	308,744	308,744	-
Mental Health Research Grants	93.242	The Regents of the University of California The Regents of the University of California at San Diego	2000 G YD422	154,007	154,007	-
Mental Health Research Grants	93.242	The Regents of the University of New Mexico for its Health Sciences Center	KR 704720	19,900	19,900	-
Mental Health Research Grants	93.242	The Trustees of Columbia University in the City of New York	3RKM3	14,842	14,842	-
Mental Health Research Grants	93.242	The University of Texas Health Science Center at San Antonio	9(GG012936-04) / 9(GG012936-05) / 1(GG015917-01)	274,566	274,566	-
Mental Health Research Grants	93.242	Yale University	164342 / 164330 CON-80003045 (GR113092) / GR110974 (CON80002764)	94,180	94,180	-
	Total 93.242			646,357	646,357	-
				2,077,407	2,077,407	-
Immunization Cooperative Agreements	93.268	New York City Department of Health and Mental Hygiene	Not available	-	230,833	-
Alcohol Research Programs	93.273	Partnership for a Drug-Free America, Inc d/b/a Partnership to End Addiction	5R01AA025058-04 / 5R01AA025058-05	196,318	196,318	-
Alcohol Research Programs	93.273	The Trustees of Columbia University in the City of New York	2(GG011217) / 2(GG015075-01)	131,244	131,244	-
	Total 93.273			327,562	327,562	-
Drug Abuse and Addiction Research Programs	93.279	New York University on behalf of its Grossman School of Medicine	19-A0-00-1002485	214,715	214,715	-
Drug Abuse and Addiction Research Programs	93.279	The Regents of the University of Michigan	SUBK00015731	50,685	50,685	-
	Total 93.279			265,400	265,400	-
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	New York University on behalf of its Grossman School of Medicine	17-A1-00-007322	8,250	8,250	-
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	University of Memphis	A21-0154-S002	1,347	1,347	-
	Total 93.286			9,597	9,597	-

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services						
Pass-through programs (continued):						
Minority Health and Health Disparities Research	93.307	Joan & Sanford I. Weill Medical College of Cornell University	220953	\$ 25,344	\$ 25,344	\$ -
Minority Health and Health Disparities Research	93.307	Trustees of the University of Pennsylvania	577433	43,709	43,709	-
	Total 93.307			69,053	69,053	-
Trans-NIH Research Support	93.310	Albert Einstein College of Medicine	311818 / 312044	100,977	100,977	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Health Research, Inc.	6894-01	-	85,988	-
COVID-19 National Center for Advancing Translational Sciences	93.350	Joan & Sanford I. Weill Medical College of Cornell University	220611-1	7,288	7,288	-
Nursing Research	93.361	The Trustees of Columbia University in the City of New York	2(GG012969-01)	110,503	110,503	-
Cancer Cause and Prevention Research	93.393	Icahn School of Medicine at Mount Sinai	0255-3801-4609	188,309	188,309	-
Cancer Cause and Prevention Research	93.393	Joan & Sanford I. Weill Medical College of Cornell University	0001098436 / 201582-02	9,228	9,228	-
	Total 93.393			197,537	197,537	-
Cancer Detection and Diagnosis Research	93.394	Mayo Clinic	THE-285429	27,117	27,117	-
Cancer Treatment Research	93.395	Children's Hospital of Philadelphia	2U10CA180886	41,400	41,400	-
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	Mercy College	90IFST0003-03-00-1	10,131	10,131	-
Medicaid Cluster – Medical Assistance Program	93.778	New York State Department of Health	DOH01-C32117GG-3450000 / DOH01-C32137GG-3450000	-	323,244	-
Opioid STR	93.788	Research Foundation for Mental Hygiene, Inc.	H79TI083327-01 / H79TI083327-02	-	31,455	-

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services						
Pass-through programs (continued):						
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	Health Research, Inc.	5118-01	\$ -	\$ 75,777	\$ -
Cardiovascular Diseases Research	93.837	Duke University	2938081 / 2037894	21,525	21,525	-
Cardiovascular Diseases Research	93.837	Icahn School of Medicine at Mount Sinai	0255-1503-4605	25,190	25,190	-
Cardiovascular Diseases Research	93.837	Inova Health Care Services on behalf of its Office of Research at Inova	OSPRSD-396	4,188	4,188	-
Cardiovascular Diseases Research	93.837	The Trustees of Columbia University in the City of New York	1(GG010897-03)	4,242	4,242	-
Cardiovascular Diseases Research	93.837	University of Maryland d/b/a University of Maryland Baltimore Campus	1701192	76,879	76,879	-
COVID-19 Cardiovascular Diseases Research	93.837	Icahn School of Medicine at Mount Sinai	0255-A343-4605 / 0255-A344-4605	49,252	49,252	-
Total 93.837				181,276	181,276	-
Lung Diseases Research	93.838	Trustees of the University of Pennsylvania	5-UH3-HL-141736-03	11,000	11,000	-
Blood Diseases and Resources Research	93.839	Children's Hospital Corporation d/b/a Boston Children's Hospital	GEFD0001851932 / GENFD0002058633	305,790	305,790	-
Blood Diseases and Resources Research	93.839	Cincinnati Children's Hospital Medical Center	311428 / 138713	323,295	323,295	-
Blood Diseases and Resources Research	93.839	Rutgers, The State University of New Jersey	0474 / 1513	23,000	23,000	-
Total 93.839				652,085	652,085	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Benaroya Research Institute at Virginia Mason Joan & Sanford I. Weill Medical College of Cornell University	0129702s01 / 0129703s01	378,052	378,052	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Cornell University	214164	21,137	21,137	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	The Pennsylvania State University	FEINAR071077	29,557	29,557	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	The Trustees of Columbia University in the City of New York	1(GG012265-01)	6,901	6,901	-
Total 93.846				435,647	435,647	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Duke University	30300076	16,457	16,457	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Icahn School of Medicine at Mount Sinai	0255-4476-4605	5,000	5,000	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	The Regents of the University of Michigan	SUBK00012111	11,450	11,450	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Trustees of the University of Pennsylvania	582481 / 579594	14,289	14,289	-
Total 93.847				47,196	47,196	-

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services						
Pass-through programs (continued):						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	The Board of Trustees of the Leland Stanford Junior University	61911985-125439	\$ 39,194	\$ 39,194	\$ -
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Mayo Clinic	FEI-224063-01 / FEI-224063-02 / FEI-224063	2,000	2,000	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Medical University of South Carolina	A20-0051-S001	93,678	93,678	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	The Regents of the University of Minnesota	A006795103	67,469	67,469	53,189
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	010785-133477 / 011337-133477 / 011266-133477 / 012043-133477 / 012340-133477	81,035	81,035	-
	Total 93.853			283,376	283,376	53,189
Allergy and Infectious Diseases Research	93.855	Benaroya Research Institute at Virginia Mason	FY20ITN353 / FY21ITN353 / FY21ITN515	60,377	60,377	-
Allergy and Infectious Diseases Research	93.855	Emory University	A318333 / A577268 / A283234 / A506878 / A318741 / A506886	431,972	431,972	325
Allergy and Infectious Diseases Research	93.855	New York University on behalf of its Grossman School of Medicine	19-A1-00-007002	116,597	116,597	-
Allergy and Infectious Diseases Research	93.855	The Board of Trustees of the University of Alabama for the University of Alabama at Birmingham	000522211-006 / 000522211-SC006	1,500	1,500	-
Allergy and Infectious Diseases Research	93.855	The Brigham & Women's Hospital, Inc.	125669	200,845	200,845	-
COVID-19 Allergy and Infectious Diseases Research	93.855	Emory University	A541989	476,827	476,827	-
	Total 93.855			1,288,118	1,288,118	325
Biomedical Research and Research Training	93.859	Beth Israel Deaconess Medical Center, Inc.	1060680	4,123	4,123	-
Child Health and Human Development Extramural Research	93.865	Northwestern University	60055120 FIMR	8,800	8,800	-
Child Health and Human Development Extramural Research	93.865	The Regents of the University of California	A20-0268-S003 / A20-0268-S003-A01	34,900	34,900	-
Child Health and Human Development Extramural Research	93.865	The Regents of the University of Michigan	SUBK00008036	42,484	42,484	-
	Total 93.865			86,184	86,184	-

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services						
Pass-through programs (continued):						
Aging Research	93.866	Boston Medical Center Corporation	02_NWH_05820	\$ 346,484	\$ 346,484	\$ -
Aging Research	93.866	Dana-Farber Cancer Institute, Inc.	1224603 / 1224604 / 1315501	656,500	656,500	-
Aging Research	93.866	The McLean Hospital Corporation d/b/a McLean Hospital	401474	254,054	254,054	-
Aging Research	93.866	Research Foundation for Mental Hygiene, Inc.	5R01AG051346-03S1 / 5R01AG051346-04	333,726	333,726	-
	Total 93.866			1,590,764	1,590,764	-
Vision Research	93.867	New York University on behalf of its Grossman School Medicine	1U10EY026869-01	700	700	-
National Bioterrorism Hospital Preparedness Program	93.889	Public Health Solutions	20-NHI-01 / 21-NHI-01 / 1867-15 / 1867-16 / 1871-16 / 1871-17 / 1872-15 / 1872-16 / 1885-15 / 1885-16 / 1986-15 / 1986-16 / 1994-16 / 1994-17 / 1999-15 / 1999-16 / 2000-16 / 2000-17 / 2004-15 / 2004-16 / 2005-16 / 2005-17 / 2008-15 / 2008-16 / 6352-01	-	444,500	-
COVID-19 National Bioterrorism Hospital Preparedness Program	93.889	Health Research, Inc.		-	387,489	-
	Total 93.889			-	831,989	-
HIV Emergency Relief Project Grants	93.914	United Way	20 MAI 11 / 21 MAI 11 / 20104 / 21104 / 20650 / 21650 / 20802 / 21802 20437 / 21437	-	552,830	-
COVID-19 HIV Emergency Relief Project Grants	93.914	United Way	20COV9	-	3,125	-
	Total 93.914			-	555,955	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	New York University on behalf of its Grossman School of Medicine	17-A0-00-1000300	-	61,794	-
Block Grants for Community Mental Health Services	93.958	New York State Office of Mental Health	OMH01-C21180GG-3650000 / OMH01-C21184GG-3650000 / OMH01-C21190GG-3650000 / OMH01-C21194GG-3650000	-	757,718	-
Medicare Access and CHIP Reauthorization Act (MACRA) Funding Opportunity: Measure Development for the Quality Payment Program	93.986	The Regents of the University of California	1V1CMS331638-01-00	-	20,000	-

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services						
Pass-through programs (continued):						
Maternal and Child Health Services Block Grant to the States	93.994	New York State Department of Health	DOH01-C028943-3450000 / DOH01-C028944-3450000 / DOH01-C36791GG-3450000 / DOH01-C32117GG-3450000 / DOH01-C32137GG-3450000 / DOH01-C32398GG-3450000 / DOH01-C32418GG-3450000 / DOH01-C35204GG-3450000 / DOH01-C35225GG-3450000 / DOH01-C36787GG-3450000			
Subtotal pass-through programs				\$ -	\$ 391,853	\$ -
Total – U.S. Department of Health and Human Services				7,977,700	11,393,556	53,514
				35,457,851	1,402,820,127	3,288,073
U.S. Department of Agriculture						
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	New York State Department of Health	DOH01-C30461GG-3450000 / DOH01-C35504GG-3450000			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	The Council of State Governments	21-SA-053-2961			
Total – U.S. Department of Agriculture				-	6,983,870	-
				-	99,225	-
				-	7,083,095	-
U. S. Department of Defense						
Direct programs:						
Military Medical Research and Development	12.420					
				1,479,892	1,479,892	24,688
Pass-through programs:						
Military Medical Research and Development	12.420	Dignity Health d/b/a St. Joseph’s Hospital & Medical Center	32689Feinstein			
Military Medical Research and Development	12.420	The Trustees of Columbia University in the City of New York	4(GG017876-01)			
Subtotal pass-through programs				303,421	303,421	-
Total – U. S. Department of Defense				18,510	18,510	-
				321,931	321,931	-
				1,801,823	1,801,823	24,688

Northwell Health, Inc.

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/Program Title/Project Title	Federal Assistance Listing Number	Pass-through Grantor	Pass-through ID Number/Contract Number	Research and Development Cluster	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development						
CDBG – Disaster Recovery Grants – Pub. L. No. 113-2 Cluster: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	NYC Office of Management & Budget & Office of Recovery & Resiliency	B-13-MS-36-0001	\$ –	\$ 2,497,207	\$ –
Total – U.S. Department of Housing and Urban Development				–	2,497,207	–
U.S. Department of Transportation						
Formula Grants for Rural Areas and Tribal Transit Program	20.509	New York State Department of Transportation	C004240	–	59,495	–
Transit Services Programs Cluster: Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	New York State Department of Transportation	C003997	–	7,034	–
Highway Safety Cluster: National Priority Safety Programs	20.616	NYS Governor’s Traffic Safety Committee	CPS-2021-LIJ Medical Ctr-00137-(041) / HSI-2021-LIJ Medical Ctr-00112-(041) / HSI-2022-LIJ Medical Ctr-00174-(030) / CPS-2022-LIJ Medical Ctr-00222-(030)	–	53,307	–
Total – U.S. Department of Transportation				–	119,836	–
U.S. Department of Treasury						
COVID-19 Coronavirus Relief Fund	21.019	Town of Hempstead	Not available	–	76,000	–
Total – U.S. Department of Treasury				–	76,000	–
U.S. Department of Homeland Security						
COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	New York State Division of Homeland Security and Emergency Services	FEMA-4480-DR	–	17,137,900	–
Hazard Mitigation Grant	97.039	New York State Division of Homeland Security and Emergency Services	C000736 / C000775	–	7,691,092	–
Total – U.S. Department of Homeland Security				–	24,828,992	–
Total Expenditures of Federal Awards				\$ 37,259,674	\$ 1,439,227,080	\$ 3,312,761

See accompanying notes.

- (a) Included within this balance are \$526,072 of expenditures for Assistance Listing Number 93.855 which were funded with COVID-19 funding.
- (b) Expenditures for Assistance Listing Number 93.153 total \$781,954.

Northwell Health, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activities of Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell) and is presented on the accrual basis of accounting. The information on the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 Northwell. For purposes of the Schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loan and loan guarantees, or other non-cash assistance. In accordance with applicable requirements, certain programs may be presented in a fiscal period based on the program-specific guidance (see Notes 4, 5 and 6).

Direct and indirect costs are charged to awards in accordance with cost principles contained in the United States Department of Health and Human Services (HHS) *Cost Principles for Hospitals* at 45 CFR Part 75 Appendix IX for Uniform Guidance awards. 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, Northwell did not make this election and uses a negotiated indirect cost rate.

2. Food and Nutrition Awards

During the year ended December 31, 2021, Northwell participated in the New York State Department of Health, WIC Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) through the provision of nutritional counseling and the distribution of food vouchers. The United States Department of Agriculture, the federal agency that sponsors the WIC program under Federal Assistance Listing Number 10.557, has determined that WIC food instruments are considered “property in lieu of money” and, therefore, should be reported as federal awards received by Northwell.

The total amount reported as federal awards on the Schedule represents the value of food vouchers redeemed in the amount of \$5,594,072 plus administrative costs of \$1,389,798 for the year ended December 31, 2021. In addition to the federal funds received for the WIC program, in 2021, 12.3% of the WIC program’s total administrative and nutritional counseling costs and none of the food voucher costs were funded by the State of New York Department of Health. Such amounts are excluded from the Schedule.

Northwell Health, Inc.

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

3. Vaccines for Children Program

During the year ended December 31, 2021, Northwell participated in the New York City Department of Health and Mental Hygiene Vaccines for Children Program (Federal Assistance Listing Number 93.268) through the provision of vaccinations. HHS, the federal agency that sponsors this program, has determined that the vaccines administered are considered “property in lieu of money” and, therefore, should be reported as federal awards received by Northwell for purposes of presentation in the Schedule.

4. Federal Emergency Management Agency: Disaster Grants (Federal Assistance Listing Number 97.036)

Northwell incurred costs related to the COVID-19 pandemic under the Federal Emergency Management Agency (FEMA) COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters) program (Federal Assistance Listing Number 97.036) during the years ended December 31, 2020 and 2021. A portion of the costs incurred are federally funded. As a result of an Executive Order issued in February 2021, the federal cost share payment percentage was increased from 75% to 100% for all costs incurred as part of the program from the beginning of the COVID-19 pandemic in January 2020. As a result, costs totaling approximately \$9.5 million incurred during 2020 are included on the accompanying Schedule for the year ended December 31, 2021, along with the additional costs that were approved in 2021 for costs incurred in 2021.

5. Hazard Mitigation Grant (Federal Assistance Listing Number 97.039)

Northwell incurred costs from 2018 to 2020 for certain projects that were part of the FEMA: Hazard Mitigation Grant. A portion of the costs incurred are federally funded. During 2021, the grant contract was amended to extend the contract period and the federal portion to be paid by FEMA for all costs incurred as part of the program since its inception was increased from approximately 73.08% to 75.00%. As a result, costs totaling approximately \$3.3 million incurred from 2018 to 2020 are included on the accompanying Schedule for the year ended December 31, 2021 under Federal Assistance Listing Number 97.039, along with other costs which were approved in 2021 for expenditures incurred in 2021.

Northwell Health, Inc.

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

6. COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

In accordance with the HHS requirements specific to Federal Assistance Listing Number 93.498, COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution, the amount presented on the Schedule for the year ended December 31, 2021 for Federal Assistance Listing Number 93.498 relates to Provider Relief Fund (PRF) payments received from April 10, 2020 through December 31, 2020 used for lost revenues and health care related expenses for the period January 1, 2020 through December 31, 2021. The amounts presented reconciles to the PRF information previously reported to the Health Resources and Services Administration (HRSA) for PRF Reporting Periods 1 and 2 as follows:

Name of Reporting Entity for HRSA Reporting Period 1 and 2 Provider Relief Fund Reports	Total PRF Payments for Period 1 Provider Relief Fund Report	Total PRF Payments for Period 2 Provider Relief Fund Report	Total Amount Reported on the Accompanying Schedule for the Year Ended December 31, 2021
Long Island Jewish Medical Center	\$ 377,034,989	\$ 32,102,146	\$ 409,137,135
North Shore University Hospital	203,385,104	15,205,362	218,590,466
Staten Island University Hospital	142,675,944	14,164,697	156,840,641
Lenox Hill Hospital	87,756,862	50,441,442	138,198,304
South Shore University Hospital	84,791,795	15,795,389	100,587,184
Huntington Hospital Association	52,782,325	9,512,894	62,295,219
Central Suffolk Hospital Association (d/b/a Peconic Bay Medical Center)	29,520,059	3,945,959	33,466,018
Plainview Hospital	29,704,700	2,970,907	32,675,607
Phelps Memorial Hospital Association	25,691,313	5,811,517	31,502,830
Glen Cove Hospital	16,629,510	9,524,583	26,154,093
John T. Mather Memorial Hospital	27,422,687	684,870	28,107,557
Northern Westchester Hospital Association	21,986,658	5,778,911	27,765,569
Northwell Health Stern Family Center for Rehabilitation	2,532,357	1,055,346	3,587,703
Northwell Health, Inc.	20,235,330	55,793,394	76,028,724
Total PRF activity for the year ended December 31, 2021	\$1,122,149,633	\$222,787,417	\$1,344,937,050

Northwell Health, Inc.

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

6. COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (continued)

The lost revenues and health care related expenses attributable to Coronavirus Disease 2019 (COVID-19) incurred by Northwell during the period of availability for PRF Reporting Period 1 (January 1, 2020 through June 30, 2021) and PRF Reporting Period 2 (January 1, 2020 through December 31, 2021) are in excess of the general and targeted distributions received from April 10, 2020 through December 31, 2020 and, therefore, the amounts presented in the table above and on the accompanying Schedule are limited to the amount of such distributions. Northwell also received PRF payments subsequent to December 31, 2020, which are required to be reported in subsequent HRSA PRF Reporting Periods and, accordingly, pursuant to the requirements specific to Federal Assistance Listing Number 93.498, activity related to such payments is excluded from the accompanying Schedule.

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
Northwell Health, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Northwell Health, Inc. and its member corporations and other affiliated entities (collectively, Northwell), which comprise the consolidated statements of financial position as of December 31, 2021, 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 April 28, 2022.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwell’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 consolidated 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

April 28, 2022



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

Management and the Board of Trustees
Northwell Health, Inc.

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northwell Health, Inc. and its member corporations and other affiliated entities' (collectively, Northwell) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Northwell's major federal programs for the year ended December 31, 2021. Northwell's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Northwell complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northwell and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northwell's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northwell's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northwell's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northwell's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northwell's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northwell's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Northwell's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Our audit of the major federal program identified as Assistance Listing Number 93.461 included certain audit procedures for the compliance requirement associated with activities allowed or unallowed that were limited to tests of compliance that reimbursements received, or expected to be received, related to health services allowed under this federal program. Our audit of compliance was not designed to test or provide assurance on the determination of whether a service was medically necessary, obtained through a legally appropriate referral, properly performed, rendered in a quality manner from a clinical perspective, adequately supervised, accurately documented and classified (i.e., that the correct medical bill code assigned represents the health service performed), or rendered and billed by non-sanctioned individuals. Performing procedures related to these matters is not within our professional expertise. Additional information on the nature of our procedures is available in the AICPA Audit and Accounting Guide, *Health Care Entities*. Our audit procedures for the compliance requirement associated with eligibility were limited to tests of compliance that services reimbursed, or expected to be reimbursed, were for individuals who received a temporary member identification number from the third-party service provider used by U.S. Department of Health and Human Services–Health Resources and Services Administration to identify a lack of active health care coverage.

Report on 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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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

Ernst + Young LLP

September 28, 2022

Northwell Health, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

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

Internal control over financial reporting:

Material weakness(es) identified?

_____ **yes**

 X **no**

Significant deficiency(ies) identified?

_____ **yes**

 X **none reported**

Noncompliance material to financial statements noted?

_____ **yes**

 X **no**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ **yes**

 X **no**

Significant deficiency(ies) identified?

_____ **yes**

 X **none reported**

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ **yes**

 X **no**

Northwell Health, Inc.

Schedule of Findings and Questioned Costs (continued)

Identification of major federal programs:

Federal Assistance Listing Numbers

93.461

Name of Federal Program or Cluster

COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund

93.498

COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between Type A and Type B programs:

\$4,317,681

Auditee qualified as low-risk auditee?

X yes no

Section II—Financial Statement Findings

None.

Section III—Federal Award Findings and Questioned Costs

None.

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Summary Schedule of Prior Audit Findings

Year Ended December 31, 2021

Finding Reference Number: 2019-001

Federal Program Information: Research and Development Cluster

Condition: During our testing of procurement controls and compliance, it was noted that Northwell did not have evidence of obtaining price or rate quotations in accordance with the small purchase requirements or evidence that the item was only available from a single source at the time of purchase.

Status: Northwell's updated procurement policy for federally sponsored programs was formally approved by Northwell's Policy and Procedure Committee and implemented in September 2019. The Grants Management Office (GMO) has advised faculty and grant administrators of the revised policy and has incorporated a process whereby the GMO will reject any purchase requisitions forwarded to its attention prior to the generation of purchase orders, that do not meet the requirements of the revised procurement policy which conforms to the requirements of 2 CFR 200 317 – 326.



Finding Reference Number:	2020-001
Federal Program Information:	93.461 COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured
Condition:	During the testing of the controls over compliance for the Activities Allowed or Unallowed, it was noted that certain claims submitted in 2020 to the Health Resources and Services Administration (HRSA) for reimbursement were not in compliance with the program's terms and conditions for participation. Four claims totaling \$639 were submitted for an insured individual or for services rendered that were unrelated to COVID-19.
Status:	Since the inception of the HRSA COVID-19 Uninsured Program in 2020, management had improved its processes and internal controls through additional staff training and enhanced claim reviews to help ensure only eligible claims are submitted for services to uninsured patients related to the treatment of COVID-19 at Northwell's hospitals or by its employed physicians, or for COVID-19 lab testing or vaccine administration. Such processes included an insurance verification process to help ensure that claims are for patients without insurance coverage and other eligibility requirement checks. In addition, it is management's understanding that the vendor administering the program on behalf of HRSA also ran submitted claims through its own insurance verification process and may also have performed checks to ensure claims were for COVID-19 treatment, testing or vaccine administration before paying. Northwell refunded the four claims mentioned above and to the extent Northwell has become aware of any other erroneous payments received under the program, it has returned the funds to HRSA. The HRSA COVID-19 uninsured program stopped accepting claims under this program in the Spring of 2022.

*No audit assurance has been provided on this schedule. This schedule is not subject to the auditor's report on compliance for each major program and report on internal control over compliance required by the Uniform Guidance.