

**STATE OF NEW YORK**  
**PUBLIC HEALTH AND HEALTH PLANNING COUNCIL**

**SPECIAL ESTABLISHMENT AND PROJECT REVIEW COMMITTEE**

**AGENDA**

*December 8, 2016*

*Immediately following the Committee on Codes, Regulations and Legislation  
(scheduled to begin at 9:30 a.m.)*

- *90 Church Street 4<sup>th</sup> Floor, Room 4A & 4B, New York City*
  
- *New York State Department of Health Offices at 584 Delaware Avenue, 3rd Floor Video Conference Room, Buffalo, NY 14202*

**I. COMMITTEE ON ESTABLISHMENT AND PROJECT REVIEW**

Peter Robinson, M.D., Chair

**A. Applications for Establishment and Construction of Health Care Facilities/Agencies**

**Acute Care Services – Establish/Construct**

| <b><u>Number</u></b> | <b><u>Applicant/Facility</u></b>                   |
|----------------------|--|
| 1. 162117 E          | One Brooklyn Health System, Inc.<br>(Kings County) |



Project # 162117-E
One Brooklyn Health System, Inc.

Program: Hospital
Purpose: Establishment

County: Kings
Acknowledged: August 16, 2016

Executive Summary

Description

One Brooklyn Health System, Inc., a to-be-formed New York not-for-profit (NFP) corporation, seeks approval to be established as co-operator of the following three Article 28 acute care hospitals (collectively "the Hospitals"):

- Brookdale Hospital Medical Center (BHMC), a 530-bed, voluntary NFP teaching hospital, located at 1 Brookdale Plaza, Brooklyn (Kings County);
Interfaith Medical Center (IMC), a 287-bed, voluntary NFP acute care hospital located at 1545 Atlantic Avenue, Brooklyn (Kings County); and
Kingsbrook Jewish Medical Center (KJMC), a 303-bed voluntary NFP acute care hospital, located at 585 Schenectady Avenue, Brooklyn (Kings County).

On July 19, 2016, the Hospitals entered into a Letter of Intent regarding this initiative. Each hospital will have equal representation on the board of One Brooklyn Health System, Inc. Each hospital will be a voting member of One Brooklyn Health System, Inc. There will be no change to the boards of the three hospitals as a result of this application. The applicant entity will serve as an umbrella planning and coordinating organization with the Hospitals and will not prepare financial statements.

There are no costs associated with this Certificate of Need application. There will be no changes in licensed services or beds as a result of this approved application. There are no projected changes in the staffing, utilization, revenues or expenses of BHMC, IMC and

KJMC as a direct result of this proposal. Each hospital will remain separate not-for-profit corporations certified under Article 28, maintaining separate operating certificates following completion of the establishment of One Brooklyn Health System, Inc.

As co-operator, One Brooklyn Health System, Inc. will have the ability to exercise the approval the submission of Certificate of Need applications filed by or on behalf of each hospital, as described in 10 NYCRR 405.1(c), as they relate to grant funding under The Kings County Health Care Facility Transformation Program, so long as each hospital remains a member of One Brooklyn Health.

After approval of this application, One Brooklyn Health System, Inc. will become a grant-eligible, NFP, Tax-exempt Corporation that we anticipate will file a joint application with BHMC, IMC and KJMC in connection with The Kings County Health Care Facility Transformation Program. The statute enacting this program authorizes up to \$700 million in capital funding to support projects that preserve and/or expand essential health care services in communities within Brooklyn that are experiencing significant health care disparities and health care needs as compared to other communities. The majority of areas of Brooklyn serviced by BHMC, IMC and KJMC meet this criteria. Statute further requires that these capital projects be consistent with a plan to replace inefficient and outdated facilities as part of a merger, consolidation, acquisition or other significant corporate restructuring activity intended to create a financially sustainable system of care. By collaborating in the development of a strategic framework for a

regional planning and operating structure through this grant funding, it is the goal of the applicant to create a high quality and financially sustainable system of care in the region.

While full Establishment approval will be the result of project approval, consistent with the Letter of Intent executed by the Hospitals, One Brooklyn Health System's sole Article 28 power will be the power to approve new CON applications filed by or on behalf of each hospital in the system. The approval of the board of Directors or Trustees of each hospital will be required for the delegation of additional powers by the hospital to One Brooklyn Health System.

BFA Attachment A presents the proposed organizational chart.

OPCHSM Recommendation  
Contingent Approval

#### Need Summary

There are no projected changes to services, beds, utilization, or staffing as a result of this application.

#### Program Summary

Based on the information reviewed, staff found nothing that would reflect adversely upon the applicant's character and competence or standing in the community.

#### Financial Summary

There are no capital costs and no projected incremental changes in staffing, utilization, operating expense or operating revenue associated with this application.

## Recommendations

Health Systems Agency

There will be no HSA recommendation for this application.

Office of Primary Care and Health Systems Management

**Approval contingent upon:**

1. Submission of documentation of approval by the Office of Alcoholism and Substance Abuse Services, acceptable to the Department. [PMU]
2. Submission of documentation of approval by the Office of Mental Health, acceptable to the Department. [PMU]
3. Submission of a photocopy of the executed Certificate of Incorporation of One Brooklyn Health System, Inc., acceptable to the Department. [CSL]
4. Submission of a photocopy of the executed Certificate of Amendment of the Certificate of Incorporation of One Brooklyn Health System, Inc., acceptable to the Department. [CSL]
5. Submission of a photocopy of the executed Bylaws of One Brooklyn Health System, acceptable to the Department. [CSL]
6. Submission of a photocopy of the executed Certificate of Amendment to the Certificate of Incorporation of the Brookdale Hospital Medical Center, acceptable to the Department. [CSL]
7. Submission of a photocopy of the executed Amendment to the Bylaws of the Brookdale Hospital Medical Center, acceptable to the Department. [CSL]
8. Submission of a photocopy of the executed Certificate of Amendment of the Certificate of Incorporation of Interfaith Medical Center, acceptable to the Department. [CSL]
9. Submission of a photocopy of the executed Amendment to the Bylaws of Interfaith Medical Center, acceptable to the Department. [CSL]
10. Submission of a photocopy of the Certificate of Amendment to the Certificate of Incorporation of Kingsbrook Jewish Medical Center, acceptable to the Department. [CSL]
11. Submission of a photocopy of the executed Amendment to the Bylaws of Kingsbrook Jewish Medical Center, acceptable to the Department. [CSL]

**Approval conditional upon:**

1. The proposal must be completed within one year from the date of the Public Health and Health Planning Council recommendation letter. Failure to complete the proposal within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the approval. [PMU]

Council Action Date

**December 8, 2016**

## Need Analysis

### Description

One Brooklyn Health System, Inc. is seeking approval to be established as co-operator of Brookdale Hospital Medical Center a 530 bed hospital located at 1 Brookdale Plaza, Brooklyn, 11212; Interfaith Medical Center a 287 bed hospital located at 1545 Atlantic Ave., Brooklyn, 11213; and Kingsbrook Jewish Medical Center a 303 bed hospital located at 585 Schenectady Ave., Brooklyn, 11203.

This proposal will not have any direct impact on public need. There will be no changes to utilization, beds, or services. There are also no anticipated changes to staffing, revenue or expenditures.

### Conclusion

Approval of the proposal will allow for the filing of a joint application with the Hospitals in connection with *The Kings County Health Care Transformation Program*.

### Recommendation

**From a need perspective, approval is recommended.**

## Program Analysis

### Program Proposal

One Brooklyn Health System, Inc., a to-be-formed New York not-for-profit corporation, seeks approval to be established as operator of the following Kings County hospitals:

#### **Name**

#### **Brookdale Hospital Medical Center (530 beds)**

1 Brookdale Plaza  
Brooklyn, New York 11212

#### **Interfaith Medical Center (287 beds)**

1545 Atlantic Avenue  
Brooklyn, New York 11213

#### **Kingsbrook Jewish Medical Center (303 beds)**

585 Schenectady Avenue  
Brooklyn, New York 11203

As co-operator, One Brooklyn Health System will have the ability to exercise the approval of submission of Certificate of Need applications filed by or on behalf of each Hospital related to grant funding under *The Kings County Health Care Facility Transformation Program*.

There will be no change to the Boards of the involved hospitals and each will remain separate not-for-profit corporations certified under Article 28, maintaining separate operating certificates following completion of the proposal. Additionally, there are no changes in staffing, services, or beds for any of the hospitals as a result of approval of this proposal.

## Character and Competence

Each hospital will have equal representation on the board of One Brooklyn Health System. The proposed board members are:

| <b>Name</b>             | <b>Affiliation/Position</b>   |
|-------------------------|---|
| Alexander Rovt, Ph.D.   | Chair, Brookdale Hospital Medical Center<br>President, One Brooklyn Health System, Inc. |
| Robert Waterman, D.Min. | Chair, Interfaith Medical Center<br>Vice-President, One Brooklyn Health System, Inc.    |
| Henna White             | Chair, Kingsbrook Jewish Medical Center<br>Treasurer, One Brooklyn Health System, Inc.  |

Staff from the Division of Certification & Surveillance reviewed the disclosure information submitted regarding licenses held, formal education, training in pertinent health and/or related areas, employment history, a record of legal actions, and a disclosure of the applicant's ownership interest in other health care facilities. Licensed individuals were checked against the Office of Medicaid Management, the Office of Professional Medical Conduct, and the Education Department databases as well as the US Department of Health and Human Services Office of the Inspector General Medicare exclusion database.

Additionally, the staff from the Division of Certification & Surveillance reviewed the ten year surveillance history of all associated facilities. Sources of information included the files, records, and reports found in the Department of Health. Included in the review were the results of any incident and/or complaint investigations, independent professional reviews, and/or comprehensive/focused inspections.

*Ms. White disclosed an affiliation with Rutland Nursing Home. The Department issued Stipulations and Orders to Rutland Nursing Home on March 19, 2012, April 30, 2013 and June 24, 2015 with respective fines of \$22,000, \$4,000 and \$12,000. These sanctions were imposed for deficiencies relating to Quality of Care (specifically, in the areas of nutrition, pressure sores, accidents, and administration). As a result of deficient practices noted during complaint investigations and surveys, the Centers for Medicare and Medicaid Services (CMS) placed the facility into a denial of payment for new admissions from April 2-11, 2012 and again from April 28 through June 7, 2012.*

### Interfaith Medical Center

*On March 28, 2013, the Department identified an Immediate Jeopardy (IJ) situation and cited in the area of Patient Rights. Specifically, the facility failed to monitor and supervise patients; implement their rapid response policy in a timely manner; and provide BCLS (basic cardiac life support) to a critically injured patient on a behavioral health inpatient unit as a result of a homicide attempt by another patient.*

*On July 23, 2015, the Department again identified an IJ situation and cited the facility in the area of Patient Rights. It was determined that the facility failed to ensure a qualified team responded to a code. Review of code responses throughout the facility revealed that, 87% of the time a code was initiated, an anesthesiologist (the person responsible for intubating patients) was not present. In addition, concerns were raised about code respondents being appropriately certified for advanced cardiac life support (ACLS).*

### Kingsbrook Jewish Medical Center

*On August 13, 2014, the Department identified an Immediate Jeopardy situation at the facility during a complaint investigation. It was determined that the facility failed to provide a safe environment for patients through staff education and implementation of policies and procedures. Additionally, the facility failed to assure that the building and grounds were safe and secured and that surveillance equipment was adequately maintained. Specifically, staff failed to initiate appropriate precautions to maintain the safety of a confused, at-risk patient who exhibited previous elopement attempts. The patient was found dead on facility grounds on August 4, 2013 after he eloped from the Emergency Department the day prior. Systemic failures were identified relating to an ineffective elopement policy and staff's failure to initiate an elopement code in a timely manner. The Department also discovered that, 10 days post-incident, the facility had not yet implemented any corrective measures to prevent a reoccurrence.*

## Conclusion

The review found that any citations noted above were properly corrected with appropriate remedial action. Based on the information reviewed, staff found nothing that would reflect adversely upon the applicant's character and competence or standing in the community.

## Recommendation

**From a programmatic perspective, approval is recommended.**

# Financial Analysis

## Capability and Feasibility

There are no costs or working capital requirements associated with this application.

BFA Attachment B is a summary of the 2014 - 2015 consolidated certified financial statements of Brookdale Hospital Medical Center and their internal financial statements as of September 30, 2016. As shown, BHMC experienced a negative working capital position, a net deficit position and an operating loss of \$33,698,000 in 2015, which includes \$68,883,464 State support from the Interim Access Assurance Fund (IAAF), Vital Access Provider Assistance Program (VAPAP) funding and Value Based Payment - Quality Improvement Program (VBP-QIP) funding as of December 31, 2015. As of September 30, 2016, BHMC experienced a negative working capital position, a net deficit position and an operating loss of \$3,796,360. BHMC is budgeted to receive \$140 million in State Fiscal Year (SFY) 2016-17 under the VBP-QIP.

BFA Attachment C is a summary of the 2014 - 2015 consolidated certified financial statements of Interfaith Medical Center and their internal financial statements as of September 30, 2016. As shown, IMC experienced a negative working capital position, maintained a positive net asset position and experienced an operating loss of \$11,587,000 in 2015, which includes \$46,130,863 State support from IAAF funding, VAPAP and VBP-QIP as of December 31, 2015. As of September 30, 2016, IMC experienced a negative working capital position, a positive net asset position and an operating loss of \$39,834,233. IMC is budgeted to receive \$50 million in SFY 2016-17 under the VBP-QIP. In addition, IMC was awarded \$2,138,459 grant funding under the Capital Restructuring Financing Program (CRFP) in 2016.

BFA Attachment D is a summary of the 2014 - 2015 consolidated certified financial statements of Kingsbrook Jewish Medical Center and Rutland Nursing Home, Inc. and the combined entity's internal financial statements as of September 30, 2016. As shown, the combined entity experienced a negative working capital position, maintained a negative net asset position and had an operating loss of \$1,591,000 in 2015, which includes State support of \$35,135,585 from VAPAP, IAAF and VBP-QIP funds as of December 31, 2015. The 2015 operating loss was attributable to the nursing home operation that experienced an operating loss of \$20,145,000, whereas the Medical Center operation had a gain of \$18,554,000 in 2015. As of September 30, 2016, the consolidated entity experienced a negative working capital position, a negative net asset position and experienced an operating loss of \$41,125,652. The Medical Center operation accounted for \$22,705,521 of the total operating loss as of September 30, 2016. KJMC is budgeted to receive \$50 million in SFY 2016-17 under the VBP-QIP. In addition, KJMC was awarded \$2,957,850 grant funding under the Capital Restructuring Financing Program in 2016.

## Conclusion

Independently, the Hospitals are expected to require ongoing annual operating subsidies totaling over \$240 million under VBP-QIP and are otherwise not financially sustainable as independently governed entities. By collaborating in the development of a strategic framework for a regional planning and operating structure that will allow the applicant to apply for grant funding under *The Kings County Health Care Facility Transformation Program*, it is the goal of the applicant to create a high quality and financially sustainable system of care in the region.

Recommendation

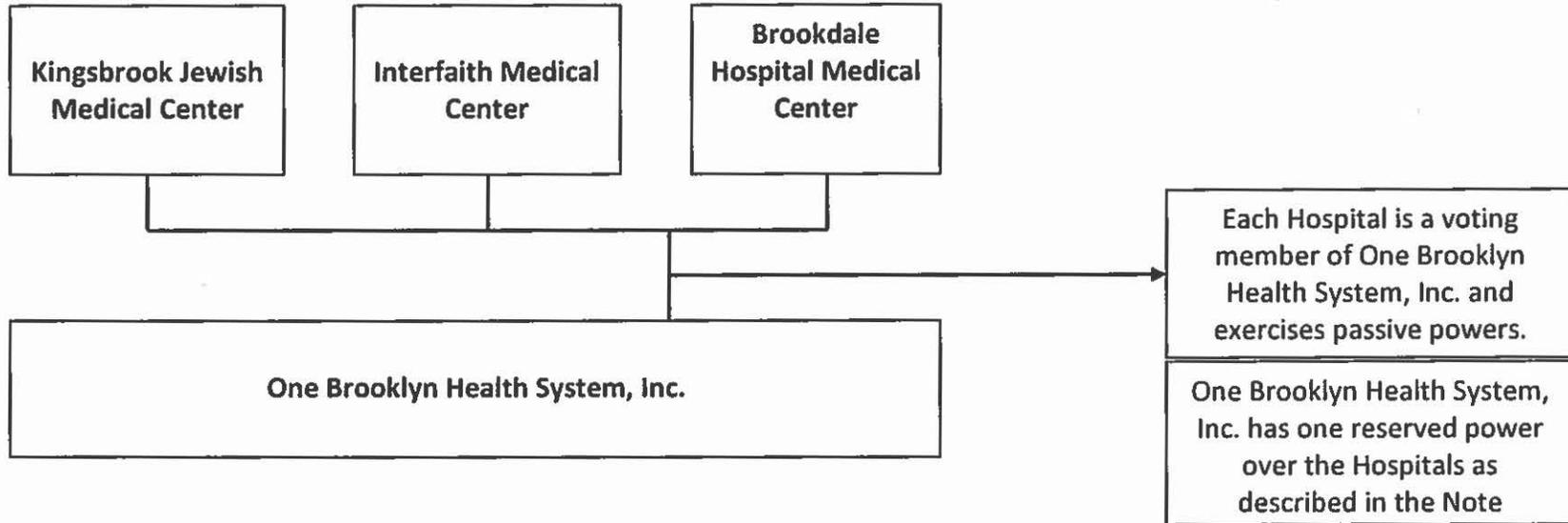
**From a financial perspective, approval is recommended.**

## Attachments

- BFA Attachment A Proposed Organizational Chart
- BFA Attachment B Brookdale Hospital Medical Center – certified 2014 - 2015 and as of June 30, 2016 internal Financial Statements
- BFA Attachment C Interfaith Medical Center – certified 2014 - 2015 and as of June 30, 2016 internal Financial Statements
- BFA Attachment D Kingsbrook Jewish Medical Center – certified 2014 - 2015 and as of June 30, 2016 internal Financials

**One Brooklyn Health System, Inc.**

**Organizational Chart**



❖ One Brooklyn Health System, Inc. (One Brooklyn) is to be the (limited purpose) co-operator of the three (3) hospitals. Each hospital shall be a voting member on One Brooklyn. Initially, the sole power the hospitals will reserve to One Brooklyn is the power to approve certificate of need applications filed by or on behalf of each hospital that are related to the grant funding under *The Kings County Health Care Facility Transformation Program*.

**THE BROOKDALE HOSPITAL MEDICAL CENTER  
AND SUBSIDIARY**

Consolidated Balance Sheets

December 31, 2015 and 2014

(In thousands of dollars)

| Assets  | <u>2015</u>       | <u>2014</u>      |
|---|-------------------|------------------|
| <b>Current assets:</b>  |                   |                  |
| Cash and cash equivalents   | \$ 13,295         | 9,967            |
| Patient accounts receivable (net of allowance for doubtful<br>accounts of \$1,786 in 2015 and \$27,274 in 2014) | 28,349            | 37,168           |
| Other receivables from capitation contracts   | —                 | 11,319           |
| Supplies  | 5,097             | 5,161            |
| Due from affiliates   | 238               | 549              |
| Assets limited as to use  | 5,514             | 3,902            |
| Due from third-party payors   | 6,819             | 10,621           |
| Other current assets  | 16,199            | 11,537           |
| Insurance receivable  | 1,499             | 1,633            |
| Total current assets  | <u>77,010</u>     | <u>91,857</u>    |
| Assets limited as to use, less current portion  | 22,937            | 20,857           |
| Due from third-party payors, less current portion   | 4,844             | 424              |
| Deferred financing costs, net   | 77                | 144              |
| Property, plant, and equipment, net   | 67,448            | 69,491           |
| Insurance receivable, less current portion  | 15,685            | 16,414           |
| Total assets  | <u>\$ 188,001</u> | <u>199,187</u>   |
| <b>Liabilities and Net Deficit</b>  |                   |                  |
| <b>Current liabilities:</b>   |                   |                  |
| Current portion of long-term debt   | \$ 126,211        | 89,752           |
| Accounts payable and accrued expenses   | 41,431            | 68,834           |
| Accrued salaries and related liabilities  | 25,581            | 28,755           |
| Accrued workers' compensation   | 4,109             | 3,974            |
| Estimated professional liabilities  | 7,628             | 8,288            |
| Due to third-party payors   | 6,567             | 5,847            |
| Total current liabilities   | <u>211,527</u>    | <u>205,450</u>   |
| Long-term debt, less current portion  | 4,875             | 1,552            |
| Accrued salaries and related liabilities, less current portion  | 5,622             | 7,066            |
| Accrued workers' compensation, less current portion   | 18,734            | 16,153           |
| Estimated professional liabilities, less current portion  | 131,456           | 147,785          |
| Due to third-party payors, less current portion   | 11,786            | 11,852           |
| Accrued pension liability   | 59,669            | 55,686           |
| Other liabilities   | 1,094             | 937              |
| Total liabilities   | <u>444,763</u>    | <u>446,481</u>   |
| <b>Net deficit:</b>   |                   |                  |
| Unrestricted deficit  | <u>(256,762)</u>  | <u>(247,294)</u> |
| Total net deficit   | <u>(256,762)</u>  | <u>(247,294)</u> |
| Total liabilities and net deficit   | <u>\$ 188,001</u> | <u>199,187</u>   |

**THE BROOKDALE HOSPITAL MEDICAL CENTER  
AND SUBSIDIARY**

Consolidated Statements of Operations and Changes in Net Deficit

Years ended December 31, 2015 and 2014

(In thousands of dollars)

|   | <u>2015</u>         | <u>2014</u>      |
|---|---------------------|------------------|
| <b>Unrestricted revenue and other support:</b>                            |                     |                  |
| Net patient service revenue (net of contractual allowances and discounts) | \$ 295,248          | 310,281          |
| Provision for bad debts, net  | (2,005)             | (14,815)         |
| Net patient service revenue less provision for bad debts                  | <u>293,243</u>      | <u>295,466</u>   |
| Capitation revenue  | 854                 | 5,465            |
| Contributions   | 111                 | 171              |
| Other revenue   | 89,163              | 94,832           |
| Grant revenue   | 85,080              | 80,585           |
| Total revenue and other support   | <u>468,451</u>      | <u>476,519</u>   |
| <b>Expenses:</b>  |                     |                  |
| Salaries and wages  | 252,769             | 241,862          |
| Employee benefits   | 77,442              | 76,882           |
| Out-of-network cost related to capitation revenue                         | —                   | 1,895            |
| Supplies and other  | 136,609             | 137,792          |
| Interest  | 2,235               | 2,770            |
| Depreciation and amortization   | 12,252              | 12,727           |
| Provision for uncollectible amounts due from related parties, net         | 20,842              | 21,568           |
| Total expenses  | <u>502,149</u>      | <u>495,496</u>   |
| Deficiency of revenue and other support over expenses                     | (33,698)            | (18,977)         |
| <b>Other changes in unrestricted net deficit:</b>                         |                     |                  |
| Pension-related changes other than net periodic pension cost              | (3,572)             | (27,625)         |
| Transfers from affiliate  | 27,327              | 13,230           |
| Grants for capital-related items  | 475                 | 78,000           |
| (Increase) decrease in unrestricted net deficit                           | <u>(9,468)</u>      | <u>44,628</u>    |
| Net deficit at beginning of year  | <u>(247,294)</u>    | <u>(291,922)</u> |
| Net deficit at end of year  | <u>\$ (256,762)</u> | <u>(247,294)</u> |

BROOKDALE HOSPITAL MEDICAL CTR  
 COMPARATIVE BALANCE SHEET  
 ASSETS & LIABILITIES  
 PERIOD ENDED 09/30/16

| DESCRIPTION                          | CURRENT YEAR<br>CURRENT MO. YTD | CURRENT YEAR<br>PRIOR MO. YTD | PRIOR YEAR<br>CURRENT MO. YTD | PRIOR YEAR<br>12/31/15 |
|--------------------------------------|---------------------------------|-------------------------------|-------------------------------|------------------------|
| <b>ASSETS</b>                        |                                 |                               |                               |                        |
| <b>CURRENT ASSETS:</b>               |                                 |                               |                               |                        |
| CASH AND EQUIVALENTS                 | 29,854,430                      | 24,915,769                    | 12,577,261                    | 13,296,659             |
| PATIENT ACCOUNTS RECEIV - NET        | 31,817,363                      | 25,424,949                    | 30,153,414                    | 28,349,501             |
| OTHER A/R FROM CAPITATION CONT       | 0                               | 0                             | 10,522,030                    | 0                      |
| SUPPLIES                             | 5,619,515                       | 5,485,649                     | 5,437,877                     | 5,096,705              |
| ASSETS LIMITED TO USE-CURRENT        | 5,463,368                       | 5,463,368                     | 4,536,700                     | 5,462,480              |
| PREPAID AND OTHER                    | 15,290,559                      | 25,614,424                    | 14,808,455                    | 16,177,895             |
| DUE FROM THIRD PARTY-CURRENT         | 6,956,513                       | (3,434,768)                   | 4,020,848                     | 6,249,562              |
| DUE FROM RELATED PARTIES             | 4,357,239                       | 3,976,418                     | 2,581,587                     | 224,679                |
| <b>TOTAL CURRENT ASSETS</b>          | <b>99,358,987</b>               | <b>87,445,808</b>             | <b>84,638,172</b>             | <b>74,857,481</b>      |
| <b>ASSETS LIMITED TO USE, L/T</b>    |                                 |                               |                               |                        |
| PROPERTY, PLANT, AND EQUIP, NET      | 23,949,677                      | 23,822,120                    | 22,005,387                    | 22,937,314             |
| INVESTMENT IN HEALTHFIRST            | 60,775,377                      | 61,622,807                    | 65,348,035                    | 67,447,840             |
| INSURANCE RECOVERIES                 | 0                               | 0                             | 0                             | 0                      |
| DEFERRED FINANCING COSTS, NET        | 17,184,528                      | 17,184,528                    | 18,047,149                    | 17,184,528             |
|                                      | 27,602                          | 33,123                        | 93,860                        | 77,296                 |
| <b>TOTAL ASSETS</b>                  | <b>201,296,170</b>              | <b>190,108,386</b>            | <b>190,132,603</b>            | <b>182,504,458</b>     |
| <b>LIABILITIES AND NET ASSETS</b>    |                                 |                               |                               |                        |
| <b>CURRENT LIABILITIES:</b>          |                                 |                               |                               |                        |
| CURRENT PORTION OF LTD               | 138,857,191                     | 138,965,383                   | 121,447,366                   | 126,211,268            |
| CURRENT PORTION OF MALPRACTICE       | 7,533,601                       | 7,620,715                     | 8,207,876                     | 7,628,401              |
| DUE TO THIRD PARTY-CURRENT           | 28,717,436                      | 15,362,059                    | 16,356,989                    | 12,937,996             |
| ACCOUNT PAYABLE & ACCRUED EXP        | 33,748,241                      | 37,486,038                    | 54,122,453                    | 41,548,879             |
| ACCRUED W/C LIAB - S/T               | 3,965,461                       | 4,046,460                     | 4,172,820                     | 4,109,346              |
| ACCRUED PAYROLL                      | 28,061,104                      | 32,631,648                    | 31,783,034                    | 28,508,887             |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>240,883,034</b>              | <b>236,112,303</b>            | <b>236,090,537</b>            | <b>220,944,777</b>     |
| <b>ESTIMATED MALPRACTICE, LT</b>     |                                 |                               |                               |                        |
| LONG TERM DEBT, NET OF CURRENT       | 133,499,507                     | 132,859,015                   | 154,683,392                   | 131,456,270            |
| ACCRUED PENSION - NON CURRENT        | 4,875,490                       | 4,788,376                     | 491,141                       | 4,875,495              |
| ACCRUED WORKER'S COMPENSATION        | 57,129,430                      | 57,071,480                    | 53,450,361                    | 56,607,880             |
| ACCRUED PAYROLL - L/T                | 18,734,057                      | 18,734,057                    | 16,152,600                    | 18,734,057             |
| DUE TO RELATED PARTIES               | 4,502,897                       | 4,623,832                     | 5,989,375                     | 5,622,473              |
| OTHER NONCURRENT LIABILITIES         | 312,674                         | (193,639)                     | 9,159,689                     | (34,863)               |
|                                      | 1,094,350                       | 1,094,350                     | 937,005                       | 1,094,350              |
| <b>TOTAL LIABILITIES</b>             | <b>461,031,439</b>              | <b>455,089,774</b>            | <b>476,954,101</b>            | <b>439,300,439</b>     |
| <b>NET ASSETS (DEFICIENCY)</b>       |                                 |                               |                               |                        |
| UNRESTRICTED                         | (259,735,269)                   | (264,981,388)                 | (286,821,498)                 | (256,795,981)          |
| <b>TOTAL NET ASSETS (DEFICIENCY)</b> | <b>(259,735,269)</b>            | <b>(264,981,388)</b>          | <b>(286,821,498)</b>          | <b>(256,795,981)</b>   |
| <b>TOTAL LIABILITIES AND NET</b>     |                                 |                               |                               |                        |

BROOKDALE HOSPITAL MEDICAL CTR  
COMPARATIVE BALANCE SHEET  
ASSETS & LIABILITIES  
PERIOD ENDED 09/30/16

| DESCRIPTION         | CURRENT YEAR<br>CURRENT MO. YTD | CURRENT YEAR<br>PRIOR MO. YTD | PRIOR YEAR<br>CURRENT MO.YTD | PRIOR YEAR<br>12/31/15 |
|---------------------|---------------------------------|-------------------------------|------------------------------|------------------------|
| ASSETS (DEFICIENCY) | 201,296,170                     | 190,108,386                   | 190,132,603                  | 182,504,458            |

Report Generation

NOT BOARD REVIEWED

BROOKDALE HOSPITAL MEDICAL CTR  
COMPARATIVE STATEMENT OF REVENUE & EXPENSES  
PERIOD ENDED 09/30/16

| DESCRIPTION   | CPD ACTUAL | CPD BUDGET  | PRIOR YEAR CPD | YTD ACTUAL  | YTD BUDGET   | PRIOR YEAR YTD | PRIOR YEAR 12-31-2015 |
|---|------------|-------------|----------------|-------------|--------------|----------------|-----------------------|
| UNRESTRICTED REVENUES AND OTHER SUPPORT:                      |            |             |                |             |              |                |                       |
| NET PATIENT SERVICE REVENUE                                   | 27,369,729 | 24,066,501  | 22,933,667     | 226,909,975 | 221,903,271  | 225,699,704    | 295,247,976           |
| PROVISION FOR BAD DEBT, NET                                   | (3,072)    | (164,010)   | (1,052,536)    | (1,929,784) | (1,512,238)  | (9,925,186)    | (2,005,327)           |
| NET PATIENT SERVICE REVENUE LESS PROVISION FOR BAD DEBT       | 27,366,656 | 23,902,491  | 21,881,131     | 226,980,191 | 220,391,033  | 215,774,518    | 293,242,648           |
| CAPITATION REVENUE  | 22,155     | 65,961      | 91,129         | 1,219,660   | 593,649      | 1,051,220      | 1,250,343             |
| OTHER REVENUE AND GAINS                                       | 22,119,067 | 18,515,046  | 10,055,031     | 154,717,943 | 166,635,412  | 116,282,910    | 173,846,889           |
| TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT                 | 49,507,878 | 42,483,498  | 32,027,290     | 382,917,794 | 387,620,094  | 333,108,648    | 468,339,880           |
| EXPENSES:   |            |             |                |             |              |                |                       |
| SALARIES AND WAGES  | 20,245,921 | 22,024,204  | 21,066,570     | 190,307,209 | 197,514,681  | 187,075,273    | 252,768,851           |
| EMPLOYEE BENEFITS   | 8,166,225  | 7,059,553   | 6,186,286      | 60,488,659  | 64,507,480   | 56,585,274     | 77,442,015            |
| COST RELATED TO CAP REVENUE                                   |            |             |                |             |              |                |                       |
| SUPPLIES AND OTHER  | 11,935,066 | 13,097,749  | 12,919,584     | 107,962,662 | 110,023,938  | 115,515,416    | 136,608,508           |
| DEPRECIATION & AMORTIZATION                                   | 984,221    | 962,369     | 946,087        | 9,029,828   | 8,661,322    | 9,012,110      | 12,251,634            |
| INTEREST EXPENSE  | 114,029    | 256,812     | 186,702        | 1,606,757   | 1,416,859    | 1,620,747      | 2,235,496             |
| PROV UNCOL AMTS D/F REL PRTY                                  | 2,766,667  | 1,766,667   | 2,100,000      | 17,319,038  | 15,900,000   | 12,747,272     | 20,841,812            |
| TOTAL EXPENSES  | 44,212,129 | 45,167,354  | 43,405,229     | 386,714,153 | 398,024,279  | 382,556,093    | 502,146,315           |
| GAIN/LOSS FROM OPERATIONS                                     | 5,295,749  | (2,683,856) | (11,377,939)   | (3,796,360) | (10,404,185) | (49,447,445)   | (33,808,435)          |
| OTHER INCOME:   |            |             |                |             |              |                |                       |
| CONTRIBUTIONS   | 8,320      | 9,665       | 2,255          | 155,448     | 86,989       | 107,714        | 110,612               |
| CHGE IN CCC INVESTMENT TRUST                                  |            |             |                |             |              |                |                       |
| EXCESS (DEFICIENCY) OF REVENUE AND OTHER SUPPORT OVER EXPENSE | 5,304,069  | (2,674,191) | (11,375,684)   | (3,640,912) | (10,317,196) | (49,339,731)   | (33,697,823)          |
| OTHER CHANGES IN UNRESTRICTED:                                |            |             |                |             |              |                |                       |
| GRANT FOR CAPITAL PURPOSES                                    |            |             |                |             |              |                | 9,654,481             |
| GAIN/LOSS ON DISCONT'D OPERA                                  |            |             |                |             |              |                | (3,572,026)           |
| CHNGE IN MINIMUM PENSION LIAB                                 | (57,950)   | (58,333)    | (57,950)       | (521,550)   | (525,000)    | (521,550)      |                       |
| FOREGIVENESS OF DEBT BY AFFI                                  |            | 611,934     | 750,000        | 1,223,174   | 5,507,405    | 19,545,956     | 27,325,559            |
| EQUITY TRANSFER - RELATED PA                                  |            |             |                |             |              |                |                       |
| CHANGE IN UNRESTRICTED NET ASSETS                             | 5,246,119  | (2,120,590) | (10,683,634)   | (2,939,287) | (5,334,791)  | (30,315,326)   | (289,809)             |

**Interfaith Medical Center**

**Balance Sheet**

December 31, 2015 and 2014

(in thousands)

|  | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|
| <b>Assets</b>  |                  |                  |
| <b>Current Assets</b>  |                  |                  |
| Cash and cash equivalents  | \$ 6,224         | \$ 3,768         |
| Accounts receivable:   |                  |                  |
| Patient (net of estimated allowance for doubtful<br>accounts of \$19,248 in 2015 and \$18,882 in 2014) | 18,093           | 15,215           |
| Other  | 2,810            | 2,773            |
| Inventories  | 458              | 339              |
| Prepaid expenses and other current assets  | <u>1,883</u>     | <u>1,221</u>     |
| Total current assets   | 29,466           | 23,316           |
| <b>Noncurrent Assets</b>   |                  |                  |
| Assets whose use is limited  | 4,329            | 4,204            |
| Property and equipment, net  | 19,494           | 20,008           |
| Other assets   | <u>20,252</u>    | <u>15,974</u>    |
| Total assets   | <u>\$ 73,541</u> | <u>\$ 63,502</u> |
| <b>Liabilities and Net Assets</b>  |                  |                  |
| <b>Current Liabilities</b>   |                  |                  |
| Accounts payable and accrued expenses  | \$ 20,353        | \$ 11,056        |
| Accrued salaries and related liabilities   | 9,366            | 10,211           |
| Loans payable  | <u>9,496</u>     | <u>-</u>         |
| Total current liabilities  | 39,215           | 21,267           |
| <b>Long-Term Liabilities</b>   |                  |                  |
| Professional liabilities   | 10,392           | 6,170            |
| Estimated third-party payor settlements  | <u>3,896</u>     | <u>3,323</u>     |
| Total liabilities  | <u>53,503</u>    | <u>30,760</u>    |
| <b>Net Assets</b>  |                  |                  |
| Unrestricted   | 19,926           | 31,520           |
| Temporarily restricted   | <u>113</u>       | <u>1,222</u>     |
| Total net assets   | <u>20,038</u>    | <u>32,742</u>    |
| Total liabilities and net assets   | <u>\$ 73,541</u> | <u>\$ 63,502</u> |

**Interfaith Medical Center**

Statement of Operations  
Years Ended December 31, 2015 and 2014  
(in thousands)

|  | <u>2015</u>        | <u>2014</u>       |
|--|--------------------|-------------------|
| <b>Operating Revenues</b>  |                    |                   |
| Patient service revenue  | \$ 148,970         | \$ 154,718        |
| Provision for bad debts  | <u>(5,810)</u>     | <u>(11,903)</u>   |
| Net patient service revenue  | 143,160            | 142,815           |
| Capitation revenue   | 4,139              | 4,573             |
| Grant revenue  | 50,198             | 35,402            |
| Other revenue  | 5,451              | 1,916             |
| Net assets released from restrictions  | <u>1,109</u>       | <u>13</u>         |
| Total operating revenues   | <u>204,057</u>     | <u>184,719</u>    |
| <b>Operating Expenses</b>  |                    |                   |
| Salaries and wages   | 107,213            | 97,815            |
| Employee benefits  | 34,328             | 34,268            |
| Supplies and other expenses  | 67,513             | 56,165            |
| Depreciation and amortization  | 8,532              | 8,606             |
| Interest   | <u>60</u>          | <u>2,582</u>      |
| Total operating expenses   | <u>215,644</u>     | <u>199,436</u>    |
| Operating loss before reorganization expenses and gain on reorganization         | (11,587)           | (14,717)          |
| <b>Reorganization Expenses</b>   | (8)                | (3,431)           |
| <b>Gain on Reorganization</b>  | <u>-</u>           | <u>268,375</u>    |
| Revenues (less than) in excess of expenses and change in unrestricted net assets | <u>\$ (11,595)</u> | <u>\$ 250,227</u> |

**INTERFAITH MEDICAL CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
For Nine Month Period Ending September 30, 2016

|   | September 30, 2016   | August 31, 2016      | Change                |
|---|----------------------|----------------------|-----------------------|
| <b>ASSETS</b>   |                      |                      |                       |
| <b>Current Assets:</b>  |                      |                      |                       |
| Cash and Cash Equivalents   | \$ 4,498,617         | \$ 7,010,942         | \$ (2,512,325)        |
| Accounts Receivable   |                      |                      |                       |
| Patient Care, Less Allowance for Uncollectable                                  | 15,132,004           | 15,581,158           | (449,154)             |
| Receivable from Public Goods Pools  | 54,097               | 653,112              | (599,015)             |
| <b>Net Patient Receivables</b>  | <b>15,186,101</b>    | <b>16,234,270</b>    | <b>(1,048,169)</b>    |
| Grants and Other Receivables  | 5,322,819            | 5,145,601            | 177,218               |
| <b>Net Accounts Receivable</b>  | <b>20,508,920</b>    | <b>21,379,871</b>    | <b>(870,951)</b>      |
| Inventories   | 683,716              | 652,448              | 31,268                |
| Prepaid and Other Current Assets  | 2,054,274            | 1,955,346            | 98,928                |
| <b>Total Current Assets</b>   | <b>27,745,527</b>    | <b>31,008,607</b>    | <b>(3,263,080)</b>    |
| <b>Noncurrent Assets:</b>   |                      |                      |                       |
| Self Insured Insurance Fund A   | 2,058,065            | 1,858,065            | 200,000               |
| Self Insured Insurance Fund B   | 3,900,000            | 3,900,000            | -                     |
| Donor Restricted  | 233,169              | 233,169              | -                     |
| <b>Total Assets Limited to Use - Noncurrent</b>                                 | <b>6,191,234</b>     | <b>5,991,234</b>     | <b>200,000</b>        |
| Property Buildings and Equipment - Net  | 17,990,278           | 18,191,080           | (200,802)             |
| Other Long Term Assets  | 21,244,301           | 21,065,999           | 178,302               |
| <b>Total Assets</b>   | <b>\$ 73,171,340</b> | <b>\$ 76,256,920</b> | <b>\$ (3,085,580)</b> |
| <b>Liabilities And Equities</b>   |                      |                      |                       |
| <b>Current Liabilities:</b>   |                      |                      |                       |
| Accounts Payable and Accrued Expenses   | \$ 22,388,971        | \$ 24,670,785        | \$ (2,281,814)        |
| Accrued Salaries and Related Withholdings                                       | 2,771,039            | 2,816,706            | (45,667)              |
| Accrued Vacation Payable  | 3,723,938            | 3,723,938            | -                     |
| Accrued Fringe Benefits Payable   | 3,827,756            | 2,180,488            | 1,647,268             |
| Due to Foundation   | -                    | -                    | -                     |
| Current Portion of Long Term Debt   | 8,746,059            | 10,746,059           | (2,000,000)           |
| Current Portion of Estimated Professional Liabilities due to Third Party Payors | 708,333              | 708,333              | -                     |
| Liabilities due to Third Party Payors   | 3,339,590            | 3,436,101            | (96,511)              |
| <b>Total Current Liabilities</b>  | <b>45,505,686</b>    | <b>48,282,410</b>    | <b>(2,776,724)</b>    |
| <b>Noncurrent Liabilities:</b>  |                      |                      |                       |
| Liabilities due to Third Party Payors-nc  | 5,475,589            | 5,476,589            | -                     |
| Estimated Professional Liabilities  | 6,480,159            | 6,480,159            | -                     |
| <b>Total Noncurrent Liabilities</b>   | <b>11,956,748</b>    | <b>11,956,748</b>    | <b>-</b>              |
| <b>Total Liabilities</b>  | <b>57,462,434</b>    | <b>60,239,158</b>    | <b>(2,776,724)</b>    |
| <b>Net Assets</b>   |                      |                      |                       |
| Unrestricted Fund Balance   | 15,625,956           | 15,904,032           | (278,076)             |
| Specific Purpose Funds  | 113,729              | 113,729              | -                     |
| Permanently Restricted Funds  | -                    | -                    | -                     |
| Current Year  | (4,691,502)          | (4,413,426)          | (278,076)             |
| <b>Total Net Assets</b>   | <b>15,739,685</b>    | <b>16,017,761</b>    | <b>(278,076)</b>      |
| <b>Total Liabilities and Net Assets</b>   | <b>\$ 73,202,119</b> | <b>\$ 76,256,919</b> | <b>\$ (3,054,800)</b> |

**INTERFAITH MEDICAL CENTER**  
**STATEMENTS OF OPERATIONS**  
For Nine Month Period Ending September 30, 2016

|  | Sep 2016           | Sep 2016           | VARIANCE             | Sep 2016 YTD         | Sep 2016 YTD         | YTD VARIANCE       |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|--------------------|
|  | ACTUAL             | BUDGET             | ACTUAL vs.<br>BUDGET | ACTUAL               | BUDGET               | ACT vs. BUD        |
| <b>Revenue:</b>                          |                    |                    |                      |                      |                      |                    |
| Net Inpatient Revenue                    | \$ 10,181,312      | \$10,595,125       | (\$413,813)          | 94,195,711           | \$96,100,908         | (\$1,905,197)      |
| Net Outpatient Revenue                   | 1,970,747          | 2,309,164          | (338,417)            | 19,455,226           | 20,180,050           | (724,824)          |
| Net Capitation Revenue                   | 416,667            | 416,667            | 0                    | 3,750,001            | 3,750,003            | (2)                |
| LESS: Provision for Bad Debts            | (437,175)          | (437,175)          | 0                    | (3,978,295)          | (3,978,295)          | 0                  |
| <b>Net Patient Revenue</b>               | <b>12,131,551</b>  | <b>12,883,781</b>  | <b>(752,230)</b>     | <b>113,422,643</b>   | <b>116,052,666</b>   | <b>(2,630,023)</b> |
| <b>Other Revenue:</b>                    |                    |                    |                      |                      |                      |                    |
| Meaningful Use                           | 95,131             | 0                  | 95,131               | 647,524              | 0                    | 647,524            |
| Physician Billings                       | 352,739            | 285,684            | 67,055               | 2,822,154            | 2,521,402            | 300,752            |
| Grants                                   | 276,037            | 425,248            | (149,211)            | 2,812,613            | 2,454,066            | 358,547            |
| Alternative Housing                      | 27,925             | 45,082             | (17,157)             | 333,911              | 352,531              | (18,620)           |
| Investment Income                        | 178,381            | 178,302            | 79                   | 1,709,218            | 1,708,845            | 373                |
| Rental of Space                          | 34,158             | 31,148             | 3,010                | 300,192              | 285,646              | 14,546             |
| General Contributions                    | 300                | 410                | (110)                | 2,950                | 3,252                | (302)              |
| Medical Student Training                 | 92,050             | 198,250            | (106,200)            | 1,339,825            | 1,358,100            | (18,275)           |
| Misc.                                    | 109,296            | 63,721             | 45,575               | 553,365              | 498,946              | 54,419             |
| Non Operating Revenue                    | 3,246              | 0                  | 3,246                | 328,878              | 281,727              | 47,151             |
| Other Revenue                            | 1,169,263          | 1,227,845          | (58,582)             | 10,850,630           | 9,464,515            | 1,386,115          |
| <b>Total Revenue</b>                     | <b>13,300,814</b>  | <b>14,111,626</b>  | <b>(810,812)</b>     | <b>124,273,273</b>   | <b>125,517,181</b>   | <b>(1,243,908)</b> |
| <b>Expenses:</b>                         |                    |                    |                      |                      |                      |                    |
| Salaries and Wages                       | 9,443,872          | 9,529,266          | 85,394               | 86,651,046           | 85,782,811           | (868,235)          |
| Employee Benefits                        | 2,708,819          | 2,879,700          | 170,881              | 25,019,739           | 25,513,370           | 493,631            |
| Professional Fees                        | 713,434            | 544,900            | (168,534)            | 6,584,983            | 5,391,683            | (1,193,300)        |
| Medical Supplies                         | 919,342            | 882,527            | (36,815)             | 8,327,432            | 8,072,345            | (255,087)          |
| Nonmedical Supplies & Other              | 388,087            | 415,640            | 27,553               | 4,293,769            | 3,815,316            | (478,453)          |
| Purchased Services                       | 1,538,949          | 1,737,191          | 198,242              | 15,677,246           | 16,596,012           | 918,766            |
| Rent                                     | 876,318            | 864,394            | (11,924)             | 7,768,369            | 7,489,496            | (278,873)          |
| Utilities                                | 400,588            | 437,796            | 37,208               | 2,841,147            | 3,469,069            | 627,922            |
| Insurance and Malpractice                | 248,537            | 386,191            | 137,654              | 2,370,911            | 3,169,056            | 798,145            |
| Interest                                 | 7,611              | 0                  | (7,611)              | 72,864               | 12,540               | (60,324)           |
| Depreciation and Amortization            | 500,000            | 500,000            | 0                    | 4,500,000            | 4,500,000            | 0                  |
| <b>Total Operating Expenses</b>          | <b>17,745,557</b>  | <b>18,177,605</b>  | <b>432,048</b>       | <b>164,107,506</b>   | <b>163,811,698</b>   | <b>(295,808)</b>   |
| <b>Net Profit (Loss) from Operations</b> | <b>(4,444,743)</b> | <b>(4,065,979)</b> | <b>(378,764)</b>     | <b>(39,834,233)</b>  | <b>(38,294,517)</b>  | <b>(1,539,716)</b> |
| Vital Access Provider Grant              | 0                  | 0                  | 0                    | 0                    | 0                    | 0                  |
| Interim Access Assurance Fund Grant      | 0                  | 0                  | 0                    | 0                    | 0                    | 0                  |
| VBP QJP                                  | 4,166,667          | 4,166,667          | 0                    | 35,142,731           | 32,897,399           | 2,245,332          |
| <b>Net Profit (Loss)</b>                 | <b>(\$278,076)</b> | <b>\$100,688</b>   | <b>(\$378,764)</b>   | <b>(\$4,691,502)</b> | <b>(\$5,397,118)</b> | <b>\$705,616</b>   |
| <b>EBIDA</b>                             | <b>\$229,535</b>   | <b>\$600,688</b>   | <b>(\$371,153)</b>   | <b>(\$118,638)</b>   | <b>(\$884,578)</b>   | <b>\$765,940</b>   |

Kingsbrook Jewish Medical Center and Rutland Nursing Home, Inc.

Combining Balance Sheets  
December 31, 2015 and 2014  
(in thousands of dollars)

|  | Kingsbrook<br>Jewish<br>Medical<br>Center | Rutland<br>Nursing<br>Home, Inc. | Eliminations       | 2015              | 2014              |
|--|---|----------------------------------|--------------------|-------------------|-------------------|
| <b>Assets</b>  |   |                                  |                    |                   |                   |
| <b>Current assets:</b>   |   |                                  |                    |                   |                   |
| Cash and cash equivalents  | \$ 11,060                                 | \$ 1,288                         | \$ -               | \$ 12,348         | \$ 9,734          |
| Cash - funds held in trust for residents   | -   | 228                              | -                  | 228               | 252               |
| Investments  | -   | 106                              | -                  | 106               | 107               |
| Assets limited as to use   | 3,540                                     | -                                | -                  | 3,540             | 2,145             |
| Accounts receivable, less allowance<br>for doubtful accounts of approximately<br>\$36,681 in 2015 and \$36,868 in 2014 | 24,157                                    | 10,902                           | -                  | 35,059            | 29,417            |
| Inventories and other current assets   | 5,583                                     | -                                | -                  | 5,583             | 4,933             |
| Other receivables  | 5,198                                     | 1,968                            | -                  | 7,166             | 739               |
| <b>Total current assets</b>  | <b>49,638</b>                             | <b>14,490</b>                    | <b>-</b>           | <b>64,028</b>     | <b>47,327</b>     |
| Assets held for sale   | -   | -                                | -                  | -                 | 9,110             |
| Assets limited as to use, less current portion   | -   | -                                | -                  | -                 | 2,435             |
| Property, buildings and equipment, net   | 37,913                                    | 7,164                            | -                  | 45,077            | 41,353            |
| Interest in Kingsbrook Jewish<br>Medical Center Foundation, Inc.   | 1,496                                     | -                                | -                  | 1,496             | 1,953             |
| Due from related organization  | 85,678                                    | -                                | (85,678)           | -                 | -                 |
| <b>Total assets</b>  | <b>\$ 174,625</b>                         | <b>\$ 21,654</b>                 | <b>\$ (85,678)</b> | <b>\$ 110,601</b> | <b>\$ 102,178</b> |
| <b>Liabilities and Unrestricted Net Assets (Deficit)</b>   |   |                                  |                    |                   |                   |
| <b>Current liabilities:</b>  |   |                                  |                    |                   |                   |
| Current portion of long-term debt  | \$ 8,648                                  | \$ -                             | \$ -               | \$ 8,648          | \$ 3,314          |
| Accounts payable and accrued expenses  | 32,617                                    | 1,067                            | -                  | 33,684            | 30,198            |
| Accrued salaries and related liabilities   | 17,947                                    | -                                | -                  | 17,947            | 18,941            |
| Funds held in trust for residents  | -   | 228                              | -                  | 228               | 252               |
| Other current liabilities  | 13,300                                    | 2,178                            | -                  | 15,478            | 11,135            |
| <b>Total current liabilities</b>   | <b>72,512</b>                             | <b>3,473</b>                     | <b>-</b>           | <b>75,985</b>     | <b>63,838</b>     |
| <b>Noncurrent liabilities:</b>   |   |                                  |                    |                   |                   |
| Non-current portion of long-term debt  | 4,079                                     | -                                | -                  | 4,079             | 4,857             |
| Estimated self-insurance liabilities<br>less current portion   | 16,903                                    | -                                | -                  | 16,903            | 15,113            |
| Accrued pension liability  | 6,401                                     | -                                | -                  | 6,401             | 7,220             |
| Accrued postretirement benefit cost  | 1,641                                     | -                                | -                  | 1,641             | 1,719             |
| Due to related organization  | -   | 85,678                           | (85,678)           | -                 | -                 |
| Estimated third-party settlements and<br>other noncurrent liabilities  | 15,906                                    | 20,278                           | -                  | 36,184            | 38,971            |
| <b>Total liabilities</b>   | <b>117,442</b>                            | <b>109,429</b>                   | <b>(85,678)</b>    | <b>141,193</b>    | <b>131,718</b>    |
| <b>Unrestricted net assets (deficit)</b>   | <b>57,183</b>                             | <b>(87,775)</b>                  | <b>-</b>           | <b>(30,592)</b>   | <b>(29,540)</b>   |
| <b>Total liabilities and unrestricted<br/>net assets (deficit)</b>   | <b>\$ 174,625</b>                         | <b>\$ 21,654</b>                 | <b>\$ (85,678)</b> | <b>\$ 110,601</b> | <b>\$ 102,178</b> |

Kingsbrook Jewish Medical Center and Rutland Nursing Home, Inc.

Combining Statements of Operations and Changes in Unrestricted Net Assets (Deficit)  
Years Ended December 31, 2015 and 2014

(In thousands of dollars)

|  | Kingsbrook<br>Jewish<br>Medical<br>Center | Rutland<br>Nursing<br>Home, Inc. | Eliminations/<br>Reclassifications | 2015           | 2014           |
|--|---|----------------------------------|------------------------------------|----------------|----------------|
| <b>Revenues:</b>   |   |                                  |                                    |                |                |
| Net patient service revenue  | \$ 168,612                                | \$ 64,096                        | \$ -                               | \$ 232,708     | \$ 168,128     |
| Less provision for bad debts   | 2,965                                     | 2,500                            | -                                  | 5,465          | 3,316          |
| <b>Net patient service revenue,<br/>less provision for bad debts</b> | <b>165,647</b>                            | <b>61,596</b>                    | <b>-</b>                           | <b>227,243</b> | <b>164,812</b> |
| Other revenues   | 100,141                                   | 4,750                            | (49,734)                           | 55,157         | 32,824         |
| <b>Total revenues</b>  | <b>265,788</b>                            | <b>66,346</b>                    | <b>(49,734)</b>                    | <b>282,400</b> | <b>197,636</b> |
| <b>Expenses:</b>   |   |                                  |                                    |                |                |
| Salaries and wages   | 101,165                                   | 38,373                           | -                                  | 139,538        | 93,749         |
| Employee benefits  | 35,879                                    | 13,946                           | -                                  | 49,625         | 33,147         |
| Supplies and other expenses  | 103,025                                   | 30,915                           | (49,734)                           | 84,206         | 49,166         |
| Depreciation and amortization  | 6,979                                     | 2,627                            | -                                  | 9,606          | 7,746          |
| Interest   | 386                                       | 630                              | -                                  | 1,016          | 572            |
| <b>Total expenses</b>  | <b>247,234</b>                            | <b>86,491</b>                    | <b>(49,734)</b>                    | <b>283,991</b> | <b>184,380</b> |
| <b>Excess (deficiency) of<br/>revenues over expenses</b>             | <b>18,554</b>                             | <b>(20,145)</b>                  | <b>-</b>                           | <b>(1,591)</b> | <b>13,256</b>  |
| <b>Other changes in unrestricted net assets:</b>                     |   |                                  |                                    |                |                |
| Pension-related changes other than<br>net periodic pension costs     | 539                                       | -                                | -                                  | 539            | (3,390)        |
| Discontinued operations  | -   | -                                | -                                  | -              | (17,501)       |
| <b>Increase (decrease) in<br/>unrestricted net assets</b>            | <b>19,093</b>                             | <b>(20,145)</b>                  | <b>-</b>                           | <b>(1,052)</b> | <b>(7,635)</b> |
| <b>Unrestricted net assets (deficit):</b>                            |   |                                  |                                    |                |                |
| Beginning of year  | 38,090                                    | (67,630)                         | -                                  | (29,540)       | (21,905)       |
| End of year  | \$ 57,183                                 | \$ (87,775)                      | \$ -                               | \$ (30,592)    | \$ (29,540)    |

**KINGSBROOK JEWISH MEDICAL CENTER  
RUTLAND NURSING HOME  
COMBINED STATEMENT OF FINANCIAL POSITION  
September 30, 2016 and December 31, 2015**

|   | <u>September 30,<br/>2016</u> | <u>December 31,<br/>2015</u> |
|---|-------------------------------|------------------------------|
|   | (in thousands)                | (in thousands)               |
| <i>Assets</i>   |                               |                              |
| Current assets:   |                               |                              |
| Cash and cash equivalents   | \$6,613                       | \$12,346                     |
| Cash - funds held in trust for residents  | 250                           | 228                          |
| Assets whose use is limited - current portion                                       | 4,353                         | 5,100                        |
| Accounts receivable:  |                               |                              |
| Patient Care (net of estimated reserves of<br>\$107,598 in 2016 & \$92,200 in 2015) | 31,710                        | 35,059                       |
| Other   | 577                           | 7,165                        |
| Inventories and other current assets  | 5,091                         | 5,624                        |
| Total Current Assets  | <u>48,594</u>                 | <u>65,522</u>                |
| Noncurrent Assets   |                               |                              |
| Assets whose use is limited:  |                               |                              |
| Mortgage & Depreciation reserve funds   | 109                           | 1,502                        |
| Mortgage escrow   | 0                             | 0                            |
| Operating escrow  | 0                             | 0                            |
| Interest in Kingsbrook Jewish Medical Center<br>Foundation, Inc.                    | 1,723                         | 1,496                        |
| Funds Held for SERP   | 0                             | 0                            |
| Board Designated Funds  | 0                             | 0                            |
| Professional liabilities trust fund   | 2,521                         | 2,102                        |
|   | <u>4,353</u>                  | <u>5,100</u>                 |
| Less assets whose use is limited - current portion                                  | 4,353                         | 5,100                        |
| Total assets whose use is limited - noncurrent portion                              | <u>0</u>                      | <u>0</u>                     |
| Property, buildings and equipment - net   | <u>41,812</u>                 | <u>45,077</u>                |
| <b>Total assets</b>   | <b><u>\$90,406</u></b>        | <b><u>\$110,599</u></b>      |
| <i>Liabilities and net assets(deficiency)</i>                                       |                               |                              |
| Current liabilities:  |                               |                              |
| Current portion of long-term debt   | \$5,708                       | \$8,350                      |
| Accounts payable and accrued expenses   | 28,752                        | 34,219                       |
| Accrued salaries payable & related liabilities                                      | 15,601                        | 17,947                       |
| Funds held in trust for residents   | 250                           | 228                          |
| Current portion of estimated self insurance liability                               | 4,004                         | 4,004                        |
| Current portion of estimated third party liabilities                                | 11,462                        | 11,462                       |
| Other current liabilities   | 103                           | 156                          |
| Total current liabilities   | <u>65,880</u>                 | <u>76,366</u>                |
| Noncurrent liabilities:   |                               |                              |
| Long-term debt, less current portion  | 4,247                         | 4,377                        |
| HCRA Loan Liability   | 0                             | 0                            |
| Estimated self-insurance liabilities  | 16,197                        | 16,903                       |
| Accrued pension liability   | 6,124                         | 6,402                        |
| Accrued SERP Liability  | 0                             | 0                            |
| Accrued postretirement liability  | 1,810                         | 1,810                        |
| Deferred Revenue  | 0                             | 9                            |
| Estimated third party liabilities   | 32,409                        | 32,946                       |
| Other non-current liabilities   | 2,380                         | 2,380                        |
| Total liabilities   | <u>129,047</u>                | <u>141,193</u>               |
| Net Assets:   |                               |                              |
| Unrestricted  | (38,641)                      | (30,594)                     |
| Temporarily restricted  | 0                             | 0                            |
| Total net assets  | <u>(38,641)</u>               | <u>(30,594)</u>              |
| <b>Total liabilities and net assets</b>   | <b><u>\$90,406</u></b>        | <b><u>\$110,599</u></b>      |

**KINGSBROOK JEWISH MEDICAL CENTER  
& RUTLAND NURSING HOME  
STATEMENT OF REVENUE AND EXPENSE**

**FOR THE PERIOD ENDED SEPTEMBER 30, 2016**

|   | <u>KJMC<br/>Actual</u> | <u>RNH<br/>Actual</u> | <u>Total<br/>09/30/16</u> | <u>BUDGET<br/>09/30/16</u> | <u>VARIANCE<br/>POS/(NEG)</u> | <u>%</u>      |
|---|------------------------|-----------------------|---------------------------|----------------------------|-------------------------------|---------------|
| <b>PATIENT AND RESIDENT SERVICE REVENUE</b> | \$115,811,401          | \$44,477,209          | 160,288,610               | \$171,178,522              | (\$10,889,912)                | -6.4%         |
| <b>LESS: PROVISION FOR BAD DEBTS</b>        | (\$149)                | \$0                   | (149)                     | (\$149)                    | #DIV/0!                       |               |
| <b>NET PATIENT REVENUE</b>                  | \$115,811,550          | \$44,477,209          | 160,288,759               | \$171,178,522              | (\$10,889,763)                | -6.4%         |
| <b>CHARITY CARE POOLS (net)</b>             | 1,750,000              | 0                     | 1,750,000                 | 757,503                    | 992,497                       | 131.0%        |
| <b>OTHER OPERATING INCOME</b>               | 10,886,359             | 1,133,092             | 12,019,451                | 14,447,493                 | (2,428,042)                   | -16.8%        |
| <b>TOTAL OPERATING INCOME</b>               | <u>\$128,447,909</u>   | <u>\$45,610,301</u>   | <u>\$174,058,210</u>      | <u>\$186,383,518</u>       | <u>(\$12,325,308)</u>         | <u>-6.6%</u>  |
| <b>SALARIES AND WAGES</b>                   | 79,147,284             | 30,021,384            | 109,168,668               | 105,605,992                | (3,562,676)                   | -3.4%         |
| <b>FRINGE BENEFITS</b>                      | 28,046,718             | 11,124,676            | 39,171,394                | 38,548,609                 | (622,785)                     | -1.6%         |
| <b>SUPPLIES AND OTHER EXPENSES</b>          | 37,355,564             | 21,676,616            | 59,032,180                | 62,232,506                 | 3,200,326                     | 5.1%          |
| <b>DEPRECIATION EXPENSE</b>                 | 6,397,506              | 675,000               | 7,072,506                 | 7,391,259                  | 318,753                       | 4.3%          |
| <b>INTEREST EXPENSE</b>                     | 206,358                | 532,756               | 739,114                   | 796,680                    | 57,566                        | 7.2%          |
| <b>TOTAL OPERATING EXPENSES</b>             | <u>151,153,430</u>     | <u>64,030,432</u>     | <u>215,183,862</u>        | <u>214,575,046</u>         | <u>(608,816)</u>              | <u>-0.3%</u>  |
| <b>GAIN &lt;LOSS&gt; FROM OPERATIONS</b>    | (\$22,705,521)         | (\$18,420,131)        | (\$41,125,652)            | (\$28,191,528)             | (\$12,934,124)                | 45.9%         |
| <b>NON OPERATING REVENUE:</b>               |                        |                       |                           |                            |                               |               |
| <b>GRANT INCOME</b>                         | 32,232,936             | 566,219               | 32,799,155                | 0                          | 32,799,155                    | #DIV/0!       |
| <b>NON OPERATING INCOME</b>                 | \$15,150               | 1,353                 | 16,503                    | 387,180                    | (370,677)                     | 0.0%          |
| <b>SUPPLEMENTARY INCOME</b>                 | 263,725                | 0                     | 263,725                   | 0                          | 263,725                       | #DIV/0!       |
| <b>GAIN OR (LOSS) FOR PERIOD</b>            | <u>\$9,806,290</u>     | <u>(\$17,852,559)</u> | <u>(\$8,046,269)</u>      | <u>(\$27,804,348)</u>      | <u>\$19,758,079</u>           | <u>-71.1%</u> |