



GREENWICH HOSPITAL AND SUBSIDIARIES

Consolidated Financial Statements
and Supplementary Information

September 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

GREENWICH HOSPITAL AND SUBSIDIARIES

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

Independent Auditors' Report

The Board of Trustees
Greenwich Hospital and Subsidiaries:

We have audited the accompanying consolidated financial statements of Greenwich Hospital and Subsidiaries (GH or the Hospital), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenwich Hospital and Subsidiaries as of September 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 1 to the consolidated financial statements, effective May 12, 2016, the Hospital's former parent company, Greenwich Health Care Services, Inc., was merged with and into the Hospital and the Hospital is the surviving entity. As a result, the Hospital's consolidated financial statement reporting entity changed and was retrospectively applied to all periods presented. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statement as a whole.

KPMG LLP

December 22, 2016

GREENWICH HOSPITAL AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2016 and 2015

(In thousands)

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 22,272	31,360
Short-term investments (note 4)	116,197	72,659
Accounts receivable for services to patients, less allowance for uncollectible accounts of approximately \$72,815 in fiscal 2016 and \$57,904 in fiscal 2015 (note 2)	39,165	41,279
Other receivables	11,074	6,220
Professional liabilities insurance recoverable receivable	6,837	6,309
Other assets	7,049	7,637
Total current assets	202,594	165,464
Assets limited as to use (note 4)	83,216	108,271
Long-term investments (note 4)	73,974	64,783
Other assets (note 1)	9,824	12,522
Professional liabilities insurance recoverable receivable – (note 9)	12,930	10,208
Property, plant, and equipment (note 1):		
Land	26,743	26,743
Buildings and improvements	298,252	285,527
Equipment	195,268	182,107
	520,263	494,377
Less accumulated depreciation	(271,523)	(252,107)
	248,740	242,270
Construction in progress	9,193	4,840
	257,933	247,110
Total assets	\$ 640,471	608,358

See accompanying notes to consolidated financial statements.

GREENWICH HOSPITAL AND SUBSIDIARIES

Consolidated Balance Sheets, continued

September 30, 2016 and 2015

(In thousands)

Liabilities and Net Assets	2016	2015
Current liabilities:		
Accounts payable	\$ 14,066	8,620
Accrued expenses (note 12)	25,794	24,448
Current portion of long-term debt (note 7)	2,790	2,675
Professional liabilities (note 9)	6,837	6,309
Other liabilities	16,749	14,667
Total current liabilities	66,236	56,719
Long-term debt, net of current portion and deferred financing costs (note 7)	29,280	32,041
Accrued pension benefit obligation (note 8)	64,829	42,787
Interest rate swap (note 7)	4,148	4,108
Other long-term liabilities (note 2)	15,377	14,885
Professional liabilities (note 9)	21,129	17,819
Total liabilities	200,999	168,359
Net assets (note 6):		
Unrestricted – Greenwich Hospital and Subsidiaries	370,941	373,318
Unrestricted – Noncontrolling interest in Orthopedic and Neurosurgery Center of Greenwich, LLC	99	1,305
Temporarily restricted	44,533	41,782
Permanently restricted	23,899	23,594
Total net assets	439,472	439,999
Commitments and contingencies		
Total liabilities and net assets	\$ 640,471	608,358

GREENWICH HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Operating revenue:		
Net patient service revenue (note 2)	\$ 384,207	372,136
Less provision for bad debts	<u>(16,192)</u>	<u>(12,484)</u>
Net patient service revenue, less provision for bad debts, net	368,015	359,652
Other revenue (note 13)	<u>15,716</u>	<u>13,726</u>
Total operating revenue	<u>383,731</u>	<u>373,378</u>
Operating expenses:		
Salaries and benefits	148,862	153,755
Supplies and other	175,658	154,887
Depreciation	24,802	25,119
Interest (note 7)	<u>968</u>	<u>314</u>
Total operating expenses	<u>350,290</u>	<u>334,075</u>
Income from operations	33,441	39,303
Nonoperating losses and gains:		
Change in fair value of swap, including counterparty payments (note 7)	(1,069)	(1,430)
Change in unrealized gains and losses on investments, net	3,286	(7,035)
Other nonoperating gains and losses, net (note 14)	<u>917</u>	<u>2,843</u>
Excess of revenue over expenses before noncontrolling interest	36,575	33,681
Less income attributable to noncontrolling interest	<u>(1,174)</u>	<u>(3,848)</u>
Excess of revenue over expenses	35,401	29,833
Unrestricted net assets – Greenwich Hospital and Subsidiaries		
Other changes in net assets	23	(165)
Net assets released from restrictions used for purchases of fixed assets	1,535	1,585
Transfer to Yale New Haven Health Services Corporation – Mission Support	(12,360)	(12,653)
Pension related changes other than net periodic benefit cost	<u>(26,976)</u>	<u>(12,742)</u>
(Decrease) increase in unrestricted net assets	<u>(2,377)</u>	<u>5,858</u>

GREENWICH HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets, continued

Years ended September 30, 2016 and 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
Unrestricted net assets – Noncontrolling interest in Orthopedic and Neurosurgery Center:		
Income attributable to noncontrolling interest	\$ 1,174	3,848
Distributions to noncontrolling members	<u>(2,380)</u>	<u>(3,679)</u>
(Decrease) increase in unrestricted net assets – noncontrolling interest in Orthopedic and Neurosurgery Center	<u>(1,206)</u>	<u>169</u>
Total change in unrestricted net assets	<u>(3,583)</u>	<u>6,027</u>
Temporarily restricted net assets:		
Net realized gains and income from investments	2,071	1,936
Change in net unrealized gains and losses on investments	1,209	(2,764)
Bequests and contributions	6,325	4,970
Net assets released from restrictions for purchases of fixed assets (note 6)	(1,535)	(1,585)
Net assets released from restrictions for operations	(5,266)	(4,783)
Net assets released from restrictions for nonoperating activities, net	(134)	(107)
Other transfers	<u>81</u>	<u>—</u>
Increase (decrease) in temporarily restricted net assets	<u>2,751</u>	<u>(2,333)</u>
Permanently restricted net assets:		
Bequests, contributions, and grants	241	388
Net realized gains on investments	33	20
Change in net unrealized gains and losses on investments	112	(21)
Other transfers	<u>(81)</u>	<u>—</u>
Increase in permanently restricted net assets	<u>305</u>	<u>387</u>
(Decrease) increase in net assets including noncontrolling interest	<u>(527)</u>	<u>4,081</u>
Net assets at beginning of year	<u>439,999</u>	<u>435,918</u>
Net assets at end of year	<u>\$ 439,472</u>	<u>439,999</u>

See accompanying notes to consolidated financial statements.

GREENWICH HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows
 Years ended September 30, 2016 and 2015
 (In thousands)

	<u>2016</u>	<u>2015</u>
Operating activities:		
(Decrease) increase in net assets	\$ (527)	4,081
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	24,802	25,119
Net realized and change in net unrealized gains and losses on investments	(11,677)	(7,864)
Change in fair value of interest rate swap agreement	40	291
Bequests and contributions	(1,781)	(5,358)
Pension related changes other than net periodic benefit cost	26,976	12,742
Provision for bad debts, net	16,192	12,484
Transfer to Yale New Haven Health Services Corporation	12,360	12,653
Distribution to noncontrolling members	2,380	—
Changes in operating assets and liabilities:		
Accounts receivable for services to patients	(14,078)	(13,148)
Other receivables	(4,853)	3,070
Professional liabilities and related insurance recoveries receivable	588	758
Other assets	(1,370)	4,698
Accounts payable	5,446	28
Accrued expenses	1,346	(846)
Other current liabilities, accrued pension and postretirement benefit obligations, and other long-term liabilities	(2,329)	(1,323)
Net cash provided by operating activities	<u>53,515</u>	<u>47,385</u>
Investing activities:		
Acquisitions of property, plant, and equipment	(30,970)	(16,713)
Purchase of investment	(48,155)	(40,605)
Sale of investment	500	7,904
Assets limited as to use, net	31,656	(4,656)
Net cash used in investing activities	<u>(46,969)</u>	<u>(54,070)</u>
Financing activities:		
Transfer to Yale New Haven Health Services Corporation	(12,360)	(12,653)
Distribution to noncontrolling members	(2,380)	—
Bequests and contributions	1,781	5,358
Repayments of long-term debt	(2,675)	(2,605)
Net cash used in financing activities	<u>(15,634)</u>	<u>(9,900)</u>
Net decrease in cash and cash equivalents	(9,088)	(16,585)
Cash and cash equivalents at beginning of year	<u>31,360</u>	<u>47,945</u>
Cash and cash equivalents at end of year	\$ <u>22,272</u>	\$ <u>31,360</u>

See accompanying notes to consolidated financial statements.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(1) Organization and Significant Accounting Policies

(a) Organization

Greenwich Hospital (the GH of the Hospital) is a member of the not-for-profit integrated health care delivery system known as Yale New Haven Health System. Effective May 12, 2016, the Hospital's former parent company, Greenwich Health Care Services, Inc., was merged with and into the Hospital and GH is the surviving entity. As a result, Yale-New Haven Health Services Corporation (YNHHSC) became the sole member of the Hospital. The Hospital is, in turn, the sole member of The Greenwich Hospital Endowment Fund, Inc., The Perryridge Corporation, 900 King Street Associates, LLC, Greenwich Clinical Pathology Associates, LLC, Greenwich Pathology Associates, LLC, and Greenwich Ambulatory Surgery Center, LLC (GASC). The Hospital and The Greenwich Hospital Endowment Fund, Inc. are an Obligated Group under the State of Connecticut Health and Educational Facilities Authority Trust Indenture. YNHHSC and the Hospital are each exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code.

YNHHSC is the sole member of two similar organizations: Yale New Haven Hospital and Subsidiaries (Y-NHH) and Bridgeport Hospital and Subsidiaries (BH). Effective September 8, 2016, YNHHSC is also the sole member of Lawrence + Memorial Corporation and Subsidiaries (LMC). Each of these four tax-exempt organizations serves as the sole member/parent for its respective delivery network of regional health care providers and related entities. YNHHSC is also the sole member of Northeast Medical Group, Inc. (NEMG).

Pursuant to the Hospital Bylaws and under the terms of a System Affiliation Agreement dated July 24, 1997, YNHHSC has certain reserved powers, including, without limitation, authority to appoint a nominee to serve on the Hospital Board of Trustees, approve the Hospital's strategic plans, and operating and capital budgets, and approve nominees to the Hospital Board of Trustees in accordance with the terms of the System Affiliation Agreement.

The Greenwich Hospital Endowment Fund, Inc., a Connecticut nonstock corporation exempt from federal income tax as an organization described in Section 501(c)(3) of the Code, was formed to receive and administer funds for the benefit of the Hospital and any or all of their affiliates that are exempt from federal income tax.

The activity and eliminations for Greenwich Pathology Associates, LLC, Greenwich Clinical Pathology Associates, LLC, Greenwich Fertility and IVF center, P.C., Greenwich Occupational Health Services of New Jersey, P.C. and Greenwich Occupational Health Services of New York, P.C. are reported as part of Greenwich Hospital.

GASC, a Connecticut Limited Liability Company, was formed on July 28, 2006.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(b) Change in Reporting Entity

The impact of the change in reporting entity on selected previously reported financial statement line items is as follows:

	<u>Amounts previously reported</u>	<u>Adjustment</u>	<u>As adjustment</u>
Balance sheet – September 30, 2015:			
Total current assets	\$ 179,121	(13,657)	165,464
Total assets	571,493	36,865	608,358
Total current liabilities	53,009	3,710	56,719
Total liabilities	164,999	3,749	168,359
Total net assets	406,494	33,535	439,999
Total liabilities and net assets	571,493	37,254	608,358
Statement of operations – year ended September 30, 2015:			
Total operating revenue	363,237	10,141	373,378
Total operating expenses	330,759	3,316	334,075
Income from operations	32,478	(6,825)	39,303
Excess of revenue over expenses before non controlling interest	26,856	2,977	29,833
Statement of changes in net assets:			
Net assets, October 1, 2014	401,362	34,556	435,918
Net change in net assets – year ended September 30, 2015	5,132	(1,051)	4,081
Net assets, September 30, 2015	406,494	33,505	439,999
Statement of cash flows – year ended September 30, 2015:			
Net cash provided by operating activities	36,005	11,380	47,385
Net cash used in investing activities	(55,715)	1,645	(54,070)
Net cash used in financing activities	2,753	(12,653)	(9,900)
Net decrease in cash and cash equivalents	(16,957)	372	(16,585)

(c) Principles of Consolidation

The accompanying consolidated financial statements present the accounts and transactions of GH and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

(d) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectible accounts receivable for services to patients, and liabilities, including estimated settlements with third-party payors and professional liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenue reported during the period. Actual results could differ from those estimates.

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Notes to Consolidated Financial Statements

September 30, 2016 and 2015

During fiscal 2016 and 2015, GH recorded a change in estimate of approximately \$0.2 million and \$0.3 million, respectively, which increased net patient service revenue. Included in the change are amounts related to favorable third-party payor settlements at September 30, 2016 and 2015, respectively.

(e) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by GH has been limited by donors to a specific time period or purpose and appreciation on permanently restricted net assets. Permanently restricted net assets have been restricted by donors to be maintained by GH in perpetuity. GH is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value.

Certain restricted fund investments are pooled with certain unrestricted investments to facilitate their management. Investment income is allocated to the restricted funds based on a percentage of total initial endowment to total corpus. The Board of Trustees approves spending for certain pooled funds based on total return. Realized gains and losses from the sale of securities are computed using the average cost method.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions receivable to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recognized as revenue and is classified as either unrestricted or temporarily restricted in accordance with donor imposed restrictions, if any, on the contributions. Contributions are reduced by an allowance for uncollectible contributions. The amount of the allowances for uncollectible contributions is based upon management's assessment of historical and expected net collections.

Contributions receivable, included in other receivables in the consolidated balance sheets at September 30, 2016 and 2015, are expected to be received as follows (in thousands):

	September 30	
	2016	2015
Less than one year	\$ 548	810
One to five years	2,380	1,940
	2,928	2,750
Less unamortized discount on contributions receivable (0.4%–2.6%)	(111)	(111)
	2,817	2,639
Allowance for uncollectible contributions	(84)	(79)
	\$ 2,733	2,560

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Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(f) Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets.

(g) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less when purchased, which are not classified as assets limited as to use, and which are not maintained in the investment portfolios.

Cash and cash equivalents are maintained with domestic financial institutions with deposits which exceed federally insured limits. It is GH's policy to monitor the financial strength of these institutions.

(h) Accounts Receivable

Patient accounts receivable result from the health care services provided by GH. Additions to the allowance for uncollectible accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

The amount of the allowances for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage, and other collection indicators. Management periodically assesses the adequacy of this allowance based upon historical collection and write-off experience by payor category. The results of these reviews are used to modify, as necessary, the provision for bad debts and to establish appropriate allowances for uncollectible patient accounts receivable. After satisfaction of amounts due from insurance, GH follows established guidelines for placing certain patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by GH's policy. See note 2 for additional information relative to third-party payor programs.

Net patient accounts receivable has been adjusted to the estimated amounts expected to be collected. These estimated amounts are subject to further adjustments upon review by third-party payors. Such receivables do not bear interest.

(i) Investments

GH has designated its investment portfolio as trading. Investment income or loss (including realized gains and losses on investments, interest and dividends) and the change in net unrealized gains and losses are included in the excess of revenue over expenses unless the income or loss is restricted by donor or law.

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Notes to Consolidated Financial Statements

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Investments in equity securities with readily determinable fair values and investments in debt securities are measured at fair value (quoted market prices) in the accompanying consolidated balance sheets.

To diversify its investment portfolio and to enhance opportunities for increased rate of return, GH has invested in alternative investments. Alternative investments include investments in nonmarketable and market-traded debt and equity securities. Alternative investments are accounted using the net asset values of each alternative investment. Net asset values of these investments, provided by the investment manager or general partner, are primarily based upon financial data derived from underlying securities and other financial instruments and estimates that require varying degrees of judgment. The investments may indirectly expose the Hospital to securities lending, short sales of securities, and trading in futures and forwards contracts, options, swap contracts and other derivative products. While these financial instruments may contain varying degrees of risk, GH's risk with respect to such transactions is limited to its capital balance in each investment. The financial statements of the investees are audited annually by independent auditors. Certain alternative investments are subject to various withdrawal restrictions regarding timing, fees and enhanced disclosure required transaction limits at September 30, 2016 and 2015. Future funding commitments for alternative investments aggregated approximately \$3.2 million at September 30, 2016 (see note 14).

Short-term investments represent those securities that are available for GH's operations and can be converted to cash within one year.

(j) *Investment in Orthopedic & Neurosurgery Center of Greenwich, LLC*

On October 21, 2010, GASC entered into an agreement, which included governance control and a 35% equity interest to operate Orthopedic & Neurosurgery Center of Greenwich, LLC (ONC), for the purpose of providing outpatient surgical services in the greater Fairfield County and Westchester County communities and is included within the consolidated financial statements. Effective April 1, 2016, GASC became the sole owner of ONC. Prior to April 1, 2016, the noncontrolling interest in ONC was reported in the consolidated financial statements.

(k) *Inventories*

Inventories are stated at the lower of cost or market. GH values its inventories using the first-in, first-out method.

(l) *Assets Limited as to Use*

Assets limited as to use represent assets held by trustees under indenture agreements and beneficial interest in perpetual trusts, board designated assets set aside for future capital improvements, and The Greenwich Hospital Endowment Fund, Inc.

(m) *Perpetual Trusts*

GH is the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts, which are measured based on the fair value of the assets held by the trust, are recognized as assets and contribution revenues at the dates the trusts are established.

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Income distributions received from the trusts are recorded as temporarily restricted contributions when received.

GH is the beneficiary of certain perpetual trusts held and administered by others that are recognized at fair value. Under these arrangements, GH is receiving distributions to fund free care programs. GH received distributions of approximately \$0.5 million and \$1.1 million for the years ended September 30, 2016 and 2015, respectively.

(n) Interest Rate Swap Agreements

GH utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. Interest rate swap agreements are reported at fair value with changes in fair value recorded as nonoperating gains (losses). GH is exposed to credit risk in the event of nonperformance by the counterparties to its interest rate swap agreements. GH is also exposed to the risk that the swap receipts may not offset its variable rate debt service. To the extent these variable rate swap receipts do not equal variable interest payments on the bonds, there will be a net loss or net benefit to GH.

(o) Beneficial Interest in Investments Held by the Greenwich Hospital Endowment Fund, Inc.

GH has recognized its beneficial interest in the net assets of The Greenwich Hospital Endowment Fund, Inc. The investment is decreased when The Greenwich Hospital Endowment Fund, Inc. makes distributions to GH. Distributions to GH are included in other revenue.

(p) Beneficial Interest in Remainder Trusts

GH is the ultimate beneficiary of certain charitable remainder trusts and similar arrangements. Under most of these arrangements, GH is not receiving any distributions, but will be entitled to the remaining assets in the trust upon the death of the donor and any other named beneficiaries. In certain cases, use of such assets ultimately to be received by GH is restricted to specific purposes.

(q) Benefits and Insurance

The Hospital is self-insured for workers' compensation claims. GH has a stop loss arrangement to limit exposure for workers' compensation claims. Estimated amounts are accrued for claims, including IBNRs, which are based on Hospital-specific experience. At September 30, 2016 and 2015, the estimated liability for self-insured workers' compensation claims and IBNRs, discounted at 2.0%, aggregated approximately \$1.6 million and \$1.7 million, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

(r) Professional Liability Insurance

GH participates in the YNHHSC coordinated professional liability program. Based on the terms of the agreement with YNHHSC, GH records the actuarially determined liabilities for professional and general liabilities.

(s) Property, Plant, and Equipment

Property, plant, and equipment purchased are carried at cost, and those acquired by gifts and bequests are carried at fair value established at the date of contribution. The carrying amounts of

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assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in income from operations.

Depreciation of property, plant, and equipment is computed by the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives ranging from 3 to 50 years. The cost of additions and improvements are capitalized and expenditures for repairs and maintenance, including the cost of replacing minor items not considered substantial enhancements, are expensed as incurred.

Leases are classified as capital leases or operating leases in accordance with the terms of the underlying lease agreements. Lease payments under operating leases are charged directly to rental expense, and are included in supplies and other expenses in the accompanying consolidated statements of operations.

(t) *Derivative Contracts*

The Hospital procures fuel and has entered into forward delivery agreements and commodity contracts. Substantially all of the Hospital's contracts to procure fuel are designated as, and qualify as, normal purchases; accordingly, such contracts are not accounted for as derivative contracts.

(u) *Excess of Revenue over Expenses*

In the accompanying consolidated statements of operations and changes in net assets, excess of revenue over expenses is the performance indicator. Those gains and losses deemed by management to be closely related to ongoing operations are included in other revenue; other gains and losses from peripheral or incidental transactions are classified as nonoperating.

Contributions of, or restricted to, property, plant and equipment, transfers of assets to and from affiliates for other than goods and services, and pension related changes other than net periodic benefit cost are excluded from the performance indicator, but are included in the changes in net assets.

(v) *Income Taxes*

GH and its subsidiaries, with the exception of GASC, 900 King Street Associates, LLC, Greenwich Clinical Pathology Associates, LLC and Greenwich Pathology Associates, LLC are Connecticut nonstock corporations generally exempt from federal and state income taxes pursuant to Section 501(a) of the Code as organizations described in Section 501(c)(3) of the Code.

As qualifying limited liability companies, GASC, 900 King Street Associates, Greenwich Clinical Pathology Associates, LLC and Greenwich Pathology Associates, LLC are treated as disregarded entities for Federal and Connecticut state tax purposes. Accordingly, GASC, 900 King Street Associates, LLC, Greenwich Clinical Pathology Associated, LLC and Greenwich Pathology Associates, LLC are subject to Connecticut business entity tax of \$250 annually, after which its net income or loss passes through to GH.

Under U.S. GAAP, GH and subsidiaries are required to evaluate tax positions taken or expected to be taken in the course of preparing GH and subsidiaries's tax returns to determine whether the tax

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positions are “more-likely than-not” of being sustained by the applicable tax authority based upon the technical merits of the position. GH and subsidiaries recognize the effect of tax positions only if they are more-likely than-not of being sustained. This evaluation had no impact on the operations of GH or any subsidiaries as of and for the year ended September 30, 2016 and 2015.

(w) *Impairment of Assets*

GH reviews property, plant and equipment for impairment at least annually, and more frequently whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such impairment indicators are present, GH recognizes a loss on the basis of whether these amounts are fully recoverable. No impairment charge was recorded for the years ended September 30, 2016 or 2015.

(x) *New Accounting Pronouncements*

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 is intended to simplify the presentation of debt issuance costs, requiring them to be presented as a direct reduction from the carrying value of the related debt liability. This guidance is effective for fiscal years beginning after December 15, 2015. Management has adopted and applied ASU 2015-03 retrospectively to all periods presented.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 will require a lessee to report most leases on their balance sheet, but recognize expenses on their income statement in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. This guidance is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU No. 2016-02 on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 is intended to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance and cash flows. This guidance is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of ASU No. 2016-14 on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Management is currently evaluating the impact of ASU 2014-09 on the financial statements.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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(y) ***Reclassifications***

Certain reclassifications have been made to the year ended September 30, 2015, balances previously reported in the consolidated financial statements in order to conform with the year ended September 30, 2016 presentation.

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

GH has agreements with third-party payors that provide for payments to GH at amounts different from its established rates. The difference is accounted for as contractual allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service discounted charges and per-diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program and is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known, or as years are no longer subject to such audits, reviews and investigations.

Third-party payor receivables included in other receivables were approximately \$2.8 million and \$0.6 million at September 30, 2016 and 2015, respectively. Third-party payor liabilities included in other current liabilities were approximately \$5.0 million and \$5.4 million at September 30, 2016 and 2015, respectively. Third-party payor liabilities included in other long-term liabilities were approximately \$11.9 million at September 30, 2016 and 2015, respectively.

GH has established estimates, based on information presently available, of amounts due to or from Medicare, Medicaid and other third-party payors for adjustments to current and prior year payment rates, based on hospital-specific data. Such amounts are included in the accompanying consolidated balance sheets. Additionally, certain payors' payment rates for various years have been appealed by GH.

Revenue from Medicare and Medicaid programs accounted for approximately 24% and 3%, respectively, of GH's consolidated net patient service revenue for the years ended September 30, 2016 and 2015. Inpatient discharges relating to Medicare and Medicaid programs accounted for approximately 33% and 7%, respectively, for the year ended September 30, 2016 and approximately 35% and 7%, respectively, for the year ended September 30, 2015. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are subject to interpretation.

GH believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs, and the reduction of funding levels could have an adverse impact on GH. Cost reports for GH, which serve as the basis for final settlement with government payors have been settled by final settlement through 2013 for Medicare and 2015 for Medicaid. Other years remain open for settlement.

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Patient service revenue for the years ended September 30, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, are as follows:

	2016	2015
Commerical – Anthem Blue Cross	\$ 84,301	76,507
Commercial – Other	26,866	25,601
Managed care	133,636	132,707
Medicaid	13,269	12,572
Medicare	81,176	78,555
Medicare managed care	10,971	10,921
Self-pay/Other	33,988	35,273
Total all payors	\$ 384,207	372,136

The significant concentrations of accounts receivable for services to patients include 34% from Medicare, 4% from Medicaid, and 62% from nongovernmental payors at September 30, 2016 and 33% from Medicare, 3% from Medicaid, and 64% from nongovernmental payors at September 30, 2015.

Net patient service revenue is comprised of the following for the years ended September 30, 2016 and 2015 (in thousands):

	2016	2015
Gross revenue at charges	\$ 1,212,262	1,225,854
Deductions:		
Contractual allowances	802,709	833,155
Charity and free care (at charges)	25,346	20,563
Provision for bad debts	16,192	12,484
Net patient service revenue	\$ 368,015	359,652

Deductibles and copayments under third-party payment programs within the third-party payor amount above are the patient's responsibility and GH considers these amounts in its determination of the provision for bad debts based on collection experience. Accounts receivable are also reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, GH analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

The GH allowance for uncollectible accounts totaled approximately \$72.8 million and \$57.9 million at September 30, 2016 and 2015, respectively. The allowance for uncollectible accounts for self-pay patients was approximately 49% and 70% of self-pay accounts receivable as of September 30, 2016 and 2015, respectively. Substantially all write-offs are related to self-pay patients.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(3) Uncompensated Care and Community Benefit Expense

GH's commitment to community service is evidenced by services provided to the poor and benefits provided to the broader community. Services provided to the poor include services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

GH makes available free care programs for qualifying patients. In accordance with the established policies of the GH, during the registration, billing and collection process, a patient's eligibility for free care funds is determined. For patients who were determined by the Hospital to have the ability to pay, but did not, the uncollected amounts are bad debt expense. For patients who do not avail themselves of any free care program and whose ability to pay cannot be determined by the Hospital, care given but not paid for is classified as charity care.

Together, charity care and provision for bad debt represent uncompensated care. The estimated cost of total uncompensated care is approximately \$13.9 million and \$12.3 million for the years ended September 30, 2016 and 2015, respectively. The estimated cost of uncompensated care is based on the Hospital's cost accounting system. This analysis calculates the actual percentage of accounts written off or designated as bad debt vs. charity care while taking into account the total costs incurred by the Hospital for each account analyzed.

The estimated cost of charity care and free care provided was approximately \$8.5 million and \$7.7 million for the years ended September 30, 2016 and 2015, respectively. The estimated cost of charity care is determined by the Hospital's cost accounting system.

For the years ended September 30, 2016 and 2015, provision for bad debt, at charges, was approximately \$16.2 million and \$12.5 million, respectively. For the years ended September 30, 2016 and 2015, bad debt expense, at cost, was approximately \$5.4 million and \$4.6 million, respectively. The provision for bad debt is multiplied by the ratio of cost to charges for purposes of inclusion in the total uncompensated care amount identified above.

The Connecticut Disproportionate Share Hospital Program (CDSHP) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part, by an assessment on hospital net patient service revenue. During the years ended September 30, 2016 and 2015, GH received approximately \$0.9 million and \$0.4 million, respectively, in CDSHP distributions, of which approximately \$0.6 million was related to charity care. GH made payments into the CDSHP of \$19.5 million and \$14.0 million for the years ended September 30, 2016 and 2015, respectively, for the 1% assessment. These are recorded in net patient service revenue.

Additionally, GH provides benefits for the broader community, which includes services provided to other needy populations that may not qualify as poor but need special services and support. Benefits include the cost of health promotion and education of the general community, interns and residents, health screenings and medical research. The benefits are provided through community health services, some of which service non-English speaking residents, disabled children and various community support groups.

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In addition to the quantifiable services defined above, GH provides additional benefits to the community through its advocacy of community service by employees. GH's employees serve numerous organizations through Board representation, membership in associations and other related activities. GH also solicits the assistance of other health care professionals to provide their services at no charge through participation in various community seminars and training programs.

(4) Investments and Assets Limited as to Use

The composition of investments, including investments held by The Greenwich Hospital Endowment Fund, Inc. and assets limited as to use at September 30 is set forth in the following table (in thousands):

	2016	2015
Money market funds	\$ 47,869	61,696
U.S. equity securities	18,777	24,542
International equity securities ^(b)	34,843	33,520
Fixed income:		
U.S. government	116,005	80,370
International government ^(b)	—	1,678
Corporate debt ^(a)	4,385	4,143
Hedge funds:		
Absolute return ^(c)	11,913	11,355
Long/short equity ^(e)	5,674	6,936
Long-only equity ^(f)	12,153	
Private equity ^(d)	6,557	7,489
Commodities	2,030	1,504
Perpetual trusts	13,181	12,480
	\$ 273,387	245,713

(a) Investments consist of PIMCO short-term and total return funds as well as bonds issued by U.S. corporations.

(b) Investments with external international equity and bond managers that are domiciled in the U.S. Investment managers may invest in American or Global Depository Receipts (ADR, GDR) or in direct foreign securities.

(c) Investment with external multi-strategy fund of funds manager investing in publicly traded equity and credit holdings which may be long or short positions.

(d) Investments in funds which are directly investing into private companies.

(e) Investments with an external long/short equity fund of funds manager underlying portfolio investments, consisting of publicly traded equity positions.

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Notes to Consolidated Financial Statements

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- (f) Investments with an external long only equity fund of funds managers focused on global long only strategy.

GH participates in the Yale-New Haven Health System Investment Trust (the Trust), a unitized Delaware Investment Trust created to pool assets for investment by the Health System nonprofit entities. The Hospital's ownership percentage of the Trust was approximately 0.7%, or \$11.6 million and 0.8%, or \$11.4 million, as of September 30, 2016 and 2015, respectively, and are included in the above table. The remaining 99.3% of the Trust is with YNHH, YNHHSC, and BH.

(5) Endowment

GH's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

GH has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) 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, GH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment related to GH's beneficial interest in perpetual trusts made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GH in a manner consistent with the standard of prudence prescribed by CUPMIFA.

In accordance with CUPMIFA, GH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of GH and the donor-restricted endowment fund; (3) general economic condition; (4) the expected total return from income and the appreciation of investments; (5) other resources of GH; and (6) the investment and spending policy of GH.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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Changes in endowment net assets for the year ended September 30, 2016 are as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 43,435	16,654	23,594	83,683
Investment return:				
Investment (loss) income	(655)	(229)	20	(864)
Net appreciation (realized and unrealized)	4,938	2,075	122	7,135
Total investment return	4,283	1,846	142	6,271
Contributions	—	223	241	464
Appropriation of endowment assets for expenditure	(2,976)	(1,179)	(81)	(4,236)
Endowment net assets, end of year	<u>\$ 44,742</u>	<u>17,544</u>	<u>23,896</u>	<u>86,182</u>

Changes in endowment net assets for the year ended September 30, 2015 are as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 46,772	17,514	23,207	87,493
Investment return:				
Investment loss	(877)	(330)	—	(1,207)
Net appreciation (realized and unrealized)	360	65	(1)	424
Total investment return	(517)	(265)	(1)	(783)
Contributions	—	—	388	388
Appropriation of endowment assets for expenditure	(2,820)	(595)	—	(3,415)
Endowment net assets, end of year	<u>\$ 43,435</u>	<u>16,654</u>	<u>23,594</u>	<u>83,683</u>

(a) Return Objectives and Risk Parameters

GH has adopted an investment and a spending policy for endowed assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that over time provide a rate of return that meets the spending policy objectives adjusted for inflation. Actual returns in any given year may vary from this amount.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(b) *Strategies Employed for Achieving Objectives*

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

(c) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

GH has a policy of appropriating funds for distribution each year based on the greater of \$800,000 or 5% of the average market value of its investments for the prior 12 quarters. In establishing this policy, GH considered the long-term expected return on its endowment.

From time to time, the fair value of assets associated with permanently restricted endowment funds may fall below the level determined under Connecticut UPMIFA.

(6) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015 (in thousands):

	2016	2015
Other specified capital expenditures	\$ 4,111	4,389
Indigent care	9,788	9,755
Indigent care funds held by trustee	11,188	10,832
Specified health care services and operations	12,602	10,329
Education	6,844	6,477
	\$ 44,533	41,782

Permanently restricted net assets are restricted as follows at September 30, 2016 and 2015 (in thousands):

	2016	2015
Principal to be held in perpetuity (held by The Greenwich Hospital Endowment, Inc.), with income expendable to support health care services and other activities (reported as nonoperating gains)	\$ 13,633	13,443
Principal to be held in perpetuity (held by the trustee), with income expendable to support free care programs (reported as an increase in unrestricted net assets)	1,994	1,941
Principal to be held in perpetuity, with income to be spent for restricted purposes as specified by donor (reported as additions to temporarily restricted net assets until released upon satisfaction of restriction)	8,272	8,210
	\$ 23,899	23,594

GREENWICH HOSPITAL AND SUBSIDIARIES

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(7) Long-Term Debt

Long-term debt consists of the following at September 30, 2016 and 2015 (in thousands):

	2016	2015
State of Connecticut Health and Educational Facilities Authority Tax Exempt Bonds, Series C (variable interest rates with an average rate of approximately 3.22% for fiscal 2016)	\$ 32,430	35,105
Less:		
Current portion	(2,790)	(2,675)
Deferred costs of issuance, net of accumulated amortization	(360)	(389)
Long-term portion	\$ 29,280	32,041

On May 6, 2008, the State of Connecticut Health and Educational Facilities Authority (CHEFA) issued approximately \$53.6 million of its Revenue Bonds on behalf of Greenwich Hospital, Series C, consisting of variable rate demand bonds. The proceeds were utilized for the refunding of outstanding revenue bonds. Principal amounts related to the Series C revenue bonds mature annually each July 1 through fiscal 2026.

The Series C bonds are required to be supported by a letter of credit, which has been executed with Bank of America. The letter of credit is scheduled to expire in May 2018.

The Hospital maintains the bank letter of credit to ensure the availability of funds to purchase any bonds tendered by bondholders that the remarketing agents are unable to remarket to new bondholders. Draws related to such tenders under the letters of credit will become Bank Bonds. As Bank Bonds, they can still be remarketed by the remarketing agents. If not remarketed successfully as Bank Bonds, the Hospital will have the opportunity to refinance them during a period of 90 days from initial draw date. If the Bank Bonds are not refunded and remain outstanding exceeding such period from initial draw date, the Hospital will be required to make monthly payments over three years. There were no draws under the letter of credit as of September 30, 2016.

For the years ended September 30, 2016 and 2015, the Hospital paid approximately \$0.1 million for interest related to long-term debt, exclusive of the swap agreements.

GREENWICH HOSPITAL AND SUBSIDIARIES

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Aggregate principal and sinking fund payments required by the Hospital for the Series C revenue bonds for fiscal 2017 through fiscal 2021 and thereafter are as follows (in thousands):

Years ending:		
2017	\$	2,790
2018		2,870
2019		2,970
2020		3,065
2021		3,165
Thereafter		<u>17,570</u>
	\$	<u>32,430</u>

Required payments on the Series C revenue bonds by the Hospital are made to a trustee in amounts sufficient to provide for the payment of principal, interest and sinking fund installments as the same become due, and certain other payments. Additionally, the Hospital has granted a collateral interest to CHEFA on its gross receipts.

Pursuant to the State of Connecticut Health and Educational Authority Trust Indenture (Trust Indenture), dated May 1, 2008, the Hospital is required to maintain a debt service fund with a trustee to cover payment of principal and interest. The Hospital is required to comply with a variety of covenants, including a debt service coverage ratio. In connection with the Bonds, GH is part of the Obligated Group with the Hospital including The Greenwich Hospital Endowment Fund, Inc.

In connection with its Series C revenue bonds, the Hospital entered into an interest rate swap agreement (the swap) with a financial institution. Under the terms of the swap, the Hospital will receive variable interest payments and pay fixed interest payments on a notional value of approximately \$22.1 million.

The terms of the swap agreement have not required the Hospital to collateralize funds to be held by the financial institution as of September 30, 2016 and 2015.

(8) Retirement Plan

(a) *Defined Contribution Plan*

GH provides a defined contribution pension plan for those employees eligible to participate. The plan contains three separate benefits. The incentive contribution, which is generally available to all nonmanagement employees, is designed to reward employees when the Hospital meets certain predetermined quality and financial measures (if paid, this benefit varies based on service from 1% to 3% of pay). Effective January 1, 2007, GH began providing a matching contribution and a length of service contribution which are generally available to all employees no longer accruing benefits under the defined benefit plan. Employees who were age 50 or older with five years of service continue to accumulate benefits under the defined benefit plan, and do not participate in the employer matching and length of service portions of the defined contribution plan.

In total, GH contributed approximately \$2.9 million and \$2.6 million to the Plan for the years ended September 30, 2016 and 2015, respectively.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(b) Defined Benefit Plan

Prior to January 1, 2007, the Hospital provided a noncontributory defined benefit pension plan (the Plan) covering substantially all employees. The benefits provided are based on age, years of service and compensation. The Hospital's policy is to at least make annual contributions to fund the Plan's minimum required contribution as defined by the Employee Retirement Income Security Act of 1974. Effective as of December 31, 2006, the Plan was amended to freeze benefits for employees who were under age 50 with less than five years of service. This amendment is reflected in the tables below. Future retirement benefits will be provided through the defined contribution plan for those employees affected by the freeze. Employees who were age 50 or older with five years of service continue to accumulate benefits under the defined benefit plan, and do not participate in the employer matching and length of service portions of the defined contribution plan.

The Hospital is required to measure plan assets and benefit obligations at a date consistent with its fiscal year-end balance sheet. Included in unrestricted net assets at September 30, 2016 and 2015 are the following amounts that have not yet been recognized in net periodic benefit cost (in thousands):

	2016	2015
Unrecognized actuarial loss	\$ (84,554)	(57,579)

The actuarial loss included in unrestricted net assets at September 30, 2016 and expected to be recognized in net periodic benefit cost during the year ending September 30, 2017 is \$2.0 million.

The following table sets forth the change in benefit obligations, change in plan assets and the funded status of the Hospital's Plan at September 30, 2016 and 2015 (in thousands):

	2016	2015
Change in benefit obligations:		
Benefit obligation, at prior measurement date	\$ 208,967	202,762
Service cost	1,912	2,211
Interest cost	9,003	8,544
Actuarial loss	27,587	3,474
Benefits paid	(8,859)	(8,024)
Benefit obligation, at current measurement date	238,610	208,967
Change in plan assets:		
Fair value of plan assets, at prior measurement date	166,180	171,078
Actual return on plan assets	12,760	(4,074)
Employer contributions	3,700	7,200
Benefits paid	(8,859)	(8,024)
Fair value of plan assets, at current measurement date	173,781	166,180
Pension liability	\$ (64,829)	(42,787)

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The actuarial loss in 2016 primarily relates to changes in the discount rate used to measure the benefit obligation, and the actuarial loss in 2015 primarily relates to changes in the discount rate offset by changes in the mortality assumption used to measure the benefit obligation.

Accumulated Other Comprehensive (income) loss (AOCI) for the years ended September 30, 2016 and 2015 is as follows (in thousands):

	Defined benefit pension plans	
	<u>2016</u>	<u>2015</u>
AOCI at prior fiscal year end	\$ 57,579	44,837
Amounts amortized during the year:		
Net loss	(1,110)	(7,537)
Amounts occurred during the year:		
Net loss	28,086	20,279
AOCI at current fiscal year end	<u>\$ 84,555</u>	<u>57,579</u>

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets were as follows at September 30, 2016 and 2015 (in thousands):

	<u>2016</u>	<u>2015</u>
Projected benefit obligation	\$ 238,611	208,967
Accumulated benefit obligation	234,460	204,656
Fair value of plan assets	173,781	166,180

The following table provides the components of the net periodic benefit cost for the plan for the years ended September 30, 2016 and 2015 (in thousands):

	<u>2016</u>	<u>2015</u>
Service cost	\$ 1,912	2,211
Interest cost	9,003	8,544
Expected return on plan assets	(13,258)	(12,731)
Amortization loss	1,110	7,537
Net periodic benefit (income) cost	<u>\$ (1,233)</u>	<u>5,561</u>

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The weighted average assumptions used in the measurement of the Hospital's net periodic benefit cost and benefit obligations for the years ended September 30, 2016 and 2015 are shown in the following table:

	Net periodic benefit cost		Benefit obligation	
	2016	2015	2016	2015
Discount rate	4.40%	4.30%	3.50%	4.40%
Rate of compensation increase	2.50	2.50	2.50	2.50
Expected rate of return on plan assets	7.75	7.75	—	—

The asset allocation of the Plan at September 30, 2016 and 2015 was as follows:

	2017 Target allocation	2016	2015
Equity securities	41%	40%	46%
Debt securities	20	22	21
Alternative investments	39	38	33
	100%	100%	100%

The plan assets carried at fair value as of September 30, 2016 are classified in the table below in one of the categories described in note 14 (in thousands):

	Investments measured at NAV	Investments classified in the fair value hierarchy Level 1	Total
Money market funds	\$ —	15,212	15,212
U.S. equity securities	25,693	5	25,698
International equity securities	39,119	5,126	44,245
Fixed income:			
U.S. government	—	5,510	5,510
Corporate debt	—	16,827	16,827
Commodities	3,640	—	3,640
Private equity	9,742	—	9,742
Hedge funds:			
Absolute return	28,140	—	28,140
Long/short equity	7,747	—	7,747
Long only equity	17,020	—	17,020
	\$ 131,101	42,680	173,781

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The plan assets carried at fair value as of September 30, 2015 are classified in the table below in one of the categories described in note 14 (in thousands):

	Investments measured at NAV	Investments classified in the fair value hierarchy Level 1	Total
Money market funds	\$ —	13,367	13,367
U.S. equity securities	23,951	11,889	35,840
International equity securities	35,108	7,153	42,261
Fixed income:			
U.S. government	—	5,401	5,401
Corporate debt	—	15,921	15,921
Commodities	2,694	—	2,694
Hedge funds:			
Absolute return	29,438	—	29,438
Long/short equity	10,453	—	10,453
Private equity	10,805	—	10,805
	\$ 112,449	53,731	166,180

There are no pension investments that are measured at fair value based on Level 2 or 3 inputs at September 30, 2016 or 2015.

The following is a summary of total investments as of September 30, 2016, with restrictions to redeem the investments at the measurement date, any unfunded capital commitments and investment strategies of the investees (in thousands):

	2016	Unfunded commitments	Redemption frequency	Redemption notice period
U.S. equity securities	\$ 25,693	N/A	Quarterly and Monthly	30-60 days
International equity securities	39,119	N/A	Monthly	5-30 days
Commodities	3,640	N/A	Quarterly	45-90 days
Hedge funds:				
Absolute return	28,140	N/A	Quarterly – Annually	30-95 days
Long/short equity	7,747	N/A	Quarterly	45-90 days
Long only equity	17,020	N/A	Quarterly	30-45 days
Private equity	9,742	1,606	None	None
	\$ 131,101			

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(c) **Description of Investment Policies and Strategies**

The Hospital's investment strategy for its pension assets, balances the liquidity needs of the pension plan with the long-term return goals necessary to satisfy future pension obligations. The target asset allocation seeks to capture the equity premium granted by the capital markets over the long-term, while ensuring security of principal to meet near term expenses and obligations through the fixed income allocation. The allocations of the investment pool to various sectors of the markets are designed to reduce volatility in the portfolio.

The Hospital's pension portfolio return assumption of 7.75% is based on the targeted weighted average return of comparative market indices for the asset classes represented in the portfolio, reduced for administrative expenses.

(d) **Cash Flows**

Contributions: The Hospital expects to make cash contributions of approximately \$5.8 million to the Plan in fiscal 2017.

Estimated Future Benefit Payments: Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (in thousands):

Years ending:	
2017	\$ 9,697
2018	10,394
2019	11,279
2020	12,004
2021	12,758
2022 and thereafter	69,986

(9) **Professional Liability Insurance**

Yale-New Haven Hospital (Y-NHH) and a number of other academic medical centers formed The Medical Center Insurance Company, Ltd. (the Captive) to insure for professional and comprehensive general liability risks. On January 1, 1999, the Hospital was added to the Y-NHH program as an additional insured. The Captive and its wholly owned subsidiary write direct insurance and reinsurance for varying levels of per claim limit exposure. The Captive has reinsurance coverage from outside reinsurers for amounts above the per-claim limits. In addition, the insurance structure includes a layer where the Hospital is self-insured for claims. Premiums are based on claims-made coverage, and are actuarially determined based on actual experience of the Hospital and the Captive. The Hospital initially pays insurance premiums to YNHHS.

The estimate for claims-made professional liabilities and the estimate for incidents that have been incurred and not reported aggregated approximately \$28.0 million and \$24.1 million at September 30, 2016 and 2015, respectively. The undiscounted estimate for incidents that have been incurred but not reported aggregated approximately \$9.1 million and \$8.4 million at September 30, 2016 and 2015, respectively, and is included in professional liabilities in the accompanying consolidated balance sheets at the actuarially determined present value of approximately \$8.2 million and \$7.6 million, respectively, based on a discount rate of 2.0% for the years ended September 30, 2016 and 2015, respectively.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

The Hospital has recorded related insurance recoveries receivable of approximately \$19.8 million and \$16.5 million at September 30, 2016 and 2015, respectively, in consideration of the expected insurance recoveries for the total discounted claims-made insurance. The current portion of professional liabilities and the related insurance receivable represents an estimate of expected settlements and insurance recoveries over the next 12 months.

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

(10) Commitments and Contingencies

Leases

GH leases various equipment and properties under operating leases, and has long-term commitments under service contracts expiring at various dates through fiscal 2029. Expense under such leases and service contracts was approximately \$4.2 million and \$6.8 million for fiscal 2016 and 2015, respectively.

Future minimum lease payments under noncancelable operating leases and service contracts, are as follows (in thousands):

Years ending:	
2017	\$ 4,082
2018	3,638
2019	3,135
2020	3,184
2021	3,242
Thereafter	20,199
	<u>\$ 37,480</u>

The Hospital leases owned houses and leased properties to Hospital employees. Expenses for the years ended September 30, 2016 and 2015, under these leases are included in supplies and other expenses. The amounts received from employees relating to these leases are included in other revenue (note 13).

Litigation

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Hospital. Such lawsuits and claims are either specifically covered by insurance or are deemed to be immaterial. While the outcomes of the lawsuits and claims cannot be determined at this time, management believes that any loss which may arise from these will not have a material adverse effect on the consolidated financial position or changes in net assets of the Hospital.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

The Hospital has received requests for information from certain governmental agencies relating to, among other things, patient billings. These requests cover several prior years relating to compliance with certain laws and regulations. Management is cooperating with those governmental agencies in their information requests and ongoing investigations. The ultimate results of those investigations, including the impact on the Hospital, cannot be determined at this time.

(11) Functional Expenses

Functional expenses related to GH's operating activities for the years ended September 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Health care services	\$ 257,883	270,448
General and administrative	92,407	76,280
	\$ 350,290	346,728

(12) Related-Party Transactions

GH purchased certain services from YNHHSO for the years ended September 30, 2016 and 2015, as follows (in thousands):

	2016	2015
Recorded in operating expenses:		
Professional and general liability insurance	\$ 5,642	5,199
Information systems	17,873	13,638
Management services	4,360	4,805
Other support services	28,327	26,532
Hospitalist program	14,301	9,865
EPIC shared project	2,675	3,355
	\$ 73,178	63,394

The Hospital has amounts receivable from and payable to YNHHSO included in other receivables and other current liabilities, respectively, in the consolidated balance sheets are as follows (in thousands):

	Year ended September 30	
	2016	2015
Other receivables:		
YNHHSO	\$ 6,336	2,762
	\$ 6,336	2,762
Other current liabilities:		
YNHHSO	\$ 5,876	3,683
	\$ 5,876	3,683

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

Included in the consolidated statement of changes in net assets are amounts funded by the Hospital for physician related strategic mission support for NEMG of approximately \$12.4 million and \$12.7 million for the years ended September 30, 2016 and 2015, respectively.

(13) Other Revenue

Other revenue consisted of the following (in thousands):

	2016	2015
Rental income	\$ 2,948	2,108
Dining room receipts	1,238	1,170
Purchase discounts and rebates	62	65
Telecom services	127	121
Occupational medicine	228	534
Foundation distributed income	2,976	2,820
Electronic health record incentive payment	—	696
Net assets released from restrictions for operations	5,266	4,783
Miscellaneous	2,871	1,429
	\$ 15,716	13,726

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2012 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

The Hospital uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the Hospital is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. Medicare EHR incentive payment revenue was approximately \$0.7 million for the years ended September 30, 2015. The Hospital did not receive any Medicare EHR incentive payments for the years ended September 30, 2016. The Hospital did not receive any Medicaid EHR incentive payments for the years ended September 30, 2016 and 2015.

EHR incentive payment revenue is included in other revenue in the accompanying consolidated statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, the Hospital's attestation of compliance with the meaningful use criteria is subject to audit by the federal government.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

(14) Other Nonoperating Gains and Losses, Net

Other nonoperating gains and losses for the years ended September 30, 2016 and 2015 consisted of the following (in thousands):

	2016	2015
Income from Foundation operations, primarily investment income and net realized gains	\$ 2,376	4,496
Less Foundation income distributed to the Hospital included in other revenue	(2,976)	(2,820)
	(600)	1,676
Unrestricted contributions	2,110	2,760
Interest and investment income	2,590	1,937
Fundraising expenses	(2,558)	(2,994)
Net assets released from restrictions used for nonoperating activities, net	134	107
Other	(759)	(643)
	\$ 917	2,843

Annually, the Greenwich Hospital Endowment Fund, Inc. has committed to make a distribution to the Hospital, calculated as the greater of \$800,000, or 5%, of the average market value of its investments for the prior 12 quarters (note 1).

(15) Fair Value Measurements

In determining fair value, GH utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. GH also considers nonperformance risk in the overall assessment of fair value.

ASC 820-10, *Fair Value Measurements- Overall*, establishes a valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The levels are defined as follows:

- Net Asset Value: Determined by the respective external investment managers, including general partners, if market values are not readily ascertainable.
- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority to Level 1 assets.
- Level 2: Observable inputs that are based on data not quoted in active markets, but corroborated by market data.
- Level 3: Unobservable inputs that are used when little or no market data is available. The Level 3 inputs are assigned the lowest priority.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

Financial assets and liabilities carried at fair value as of September 30, 2016 are classified in the table below in one of the categories described above (in thousands):

	Investments measured at NAV	Investments classified in the fair value hierarchy		Total
		Level 1	Level 2	
Cash and cash equivalents	\$ —	22,272	—	22,272
Money market funds	—	47,869	—	47,869
U.S. equity securities	18,777	—	—	18,777
International equity securities	29,717	5,126	—	34,843
Fixed income:				
U.S. government	—	116,005	—	116,005
Corporate debt	—	4,385	—	4,385
International government	—	—	—	—
Commodities	2,030	—	—	2,030
Hedge funds:				
Absolute return	11,913	—	—	11,913
Long/short equity	5,674	—	—	5,674
Long-only equity	12,153	—	—	12,153
Private equity	6,557	—	—	6,557
Beneficial interest in remainder trust	1,626	—	—	1,626
Perpetual trust	13,181	—	—	13,181
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments as of September 30, 2016	\$ 101,628	195,657	—	297,285
Liabilities:				
Interest rate swap	\$ —	—	(4,148)	(4,148)

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

Financial assets and liabilities carried at fair value as of September 30, 2015 are classified in the table below in one of the categories described above (in thousands):

	Investments measured at NAV	Investments classified in the fair value hierarchy		Total
		Level 1	Level 2	
Cash and cash equivalents	\$ —	31,360	—	31,360
Money market funds	—	61,696	—	61,696
U.S. equity securities	16,561	7,981	—	24,542
International equity securities	26,963	6,557	—	33,520
Fixed income:				
U.S. government	6,965	73,405	—	80,370
Corporate debt	—	4,143	—	4,143
International government	826	852	—	1,678
Commodities	1,504	—	—	1,504
Hedge funds:				
Absolute return	11,355	—	—	11,355
Long/short equity	6,936	—	—	6,936
Private equity	7,489	—	—	7,489
Beneficial interest in remainder trust	1,668	—	—	1,668
Perpetual trust	12,480	—	—	12,480
Total investments as of September 30, 2015	\$ 92,747	185,994	—	278,741
Liabilities:				
Interest rate swap	\$ —	—	(4,108)	(4,108)

The amounts reported in the tables above exclude assets invested in the GH's defined benefit pension plan (see note 8).

The fair value of long-term debt was approximately \$32.4 million and \$35.1 million at September 30, 2016 and 2015, respectively. The fair value of long-term debt is classified as Level 2 in the fair value hierarchy, as it uses a combination of quoted market prices and valuation based on current market rates. The carrying value of all other financial instruments approximates fair value.

There are no assets or liabilities that are measured at fair value based on Level 3 inputs at September 30, 2016 or 2015.

GREENWICH HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

The following is a summary of total investments as of September 30, 2016, with restrictions to redeem the investments at the measurement date, any unfunded capital commitments and investment strategies of the investees (in thousands):

<u>Description of investment</u>	<u>2016</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
U.S. equities	\$ 18,777	N/A	Quarterly and Monthly	30-60 days
International equity securities	29,717	N/A	Monthly	5-30 days
Commodities	2,030	N/A	Quarterly	45-90 days
Hedge funds:				
Absolute return	11,913	N/A	None	None
Long/short equity	5,674	N/A	None	None
Long-only equity	12,153	N/A	30 days	1 years
Private equity	6,557	3,203	None	None
Perpetual trust	14,807	*	*	*
	<u>\$ 101,628</u>			

* See note 1 for description

(16) Subsequent Events

Management has evaluated subsequent events through December 22, 2016, which is the date the consolidated financial statements were issued. No events have occurred that require disclosure or adjustment of the consolidated financial statements.

SUPPLEMENTARY INFORMATION

GREENWICH HOSPITAL AND SUBSIDIARIES

Consolidating Balance Sheet

September 30, 2016

(In thousands)

Assets	Greenwich Hospital	Greenwich Fertility & IVF Center, P.C.	Greenwich Pathology Associates, LLC	Greenwich Clinical Pathology Associates, LLC	Greenwich Occupational Health Services of New York, P.C.	Greenwich Occupational Health Services of New Jersey, P.C.	Eliminations	Total Hospital	Hospital Endowment Fund, Inc.	Eliminations	Total Obligated Group	The Perryridge Corporation	Ambulatory Surgery Center, LLC	Eliminations	Consolidated
Current assets:															
Cash and cash equivalents	\$ 16,097	1,333	223	51	13	4	—	17,721	—	—	17,721	4,408	143	—	22,272
Short-term investments	116,197	—	—	—	—	—	—	116,197	—	—	116,197	—	—	—	116,197
Accounts receivable for services to patients, net	37,664	665	303	163	318	52	—	39,165	—	—	39,165	—	—	—	39,165
Other receivables	37,469	82	—	—	—	—	(2,521)	35,030	—	(25,270)	9,760	1,314	—	—	11,074
Professional liabilities insurance recoveries	6,837	—	—	—	—	—	—	6,837	—	—	6,837	—	—	—	6,837
Other current assets	7,027	22	—	—	—	—	—	7,049	—	—	7,049	—	—	—	7,049
Total current assets	221,291	2,102	526	214	331	56	(2,521)	221,999	—	(25,270)	196,729	5,722	143	—	202,594
Assets limited as to use	71,579	—	—	—	—	—	—	71,579	70,013	(58,376)	83,216	—	—	—	83,216
Long-term investments	60,341	—	—	—	—	—	—	60,341	13,633	—	73,974	—	—	—	73,974
Other assets	9,879	—	—	—	—	—	—	9,879	—	—	9,879	—	—	(55)	9,824
Professional liabilities insurance recoveries receivable	12,930	—	—	—	—	—	—	12,930	—	—	12,930	—	—	—	12,930
Property, plant, and equipment:															
Land	11,707	—	—	—	—	—	—	11,707	—	—	11,707	15,036	—	—	26,743
Buildings and improvements	265,108	—	—	—	—	—	—	265,108	—	—	265,108	33,144	—	—	298,252
Equipment	191,755	2,022	—	—	—	—	—	193,777	—	—	193,777	1,304	187	—	195,268
	468,570	2,022	—	—	—	—	—	470,592	—	—	470,592	49,484	187	—	520,263
Less accumulated depreciation	(249,872)	(1,145)	—	—	—	—	—	(251,017)	—	—	(251,017)	(20,335)	(171)	—	(271,523)
	218,698	877	—	—	—	—	—	219,575	—	—	219,575	29,149	16	—	248,740
Construction in progress	9,193	—	—	—	—	—	—	9,193	—	—	9,193	—	—	—	9,193
	227,891	877	—	—	—	—	—	228,768	—	—	228,768	29,149	16	—	257,933
Total assets	\$ 603,911	2,979	526	214	331	56	(2,521)	605,496	83,646	(83,646)	605,496	34,871	159	(55)	640,471

GREENWICH HOSPITAL AND SUBSIDIARIES

Consolidating Balance Sheet, continued

September 30, 2016

(In thousands)

Liabilities and Net Assets	Greenwich Hospital	Greenwich Fertility & IVF Center, P.C.	Greenwich Pathology Associates, LLC	Greenwich Clinical Pathology Associates, LLC	Greenwich Occupational Health Services of New York, P.C.	Greenwich Occupational Health Services of New Jersey, P.C.	Eliminations	Total Hospital	GHCS	Hospital Endowment Fund, Inc.	Eliminations	Total Obligated Group	The Perryridge Corporation	Ambulatory Surgery Center, LLC	Eliminations	Consolidated
Current liabilities:																
Accounts payable	\$ 13,724	277	32	—	—	—	—	14,033	—	—	—	14,033	33	—	—	14,066
Accrued expenses	24,453	1,080	159	16	21	—	—	25,729	—	—	—	25,729	65	—	—	25,794
Current portion of long term debt	2,790	—	—	—	—	—	—	2,790	—	—	—	2,790	—	—	—	2,790
Professional liabilities	6,837	—	—	—	—	—	—	6,837	—	—	—	6,837	—	—	—	6,837
Other current liabilities	16,744	12,482	335	198	328	61	(13,404)	16,744	—	25,270	(25,270)	16,744	—	5	—	16,749
Total current liabilities	64,548	13,839	526	214	349	61	(13,404)	66,133	—	25,270	(25,270)	66,133	98	5	—	66,236
Long-term debt, net of current portion and deferred financing costs	29,280	—	—	—	—	—	—	29,280	—	—	—	29,280	—	—	—	29,280
Accrued pension benefit obligation	64,829	—	—	—	—	—	—	64,829	—	—	—	64,829	—	—	—	64,829
Interest rate swap	4,148	—	—	—	—	—	—	4,148	—	—	—	4,148	—	—	—	4,148
Other long-term liabilities	15,377	—	—	—	—	—	—	15,377	—	—	—	15,377	—	—	—	15,377
Professional liabilities	21,129	—	—	—	—	—	—	21,129	—	—	—	21,129	—	—	—	21,129
Total liabilities	199,311	13,839	526	214	349	61	(13,404)	200,896	—	25,270	(25,270)	200,896	98	5	—	200,999
Net assets:																
Unrestricted – Greenwich Hospital	336,168	(10,860)	—	—	(18)	(5)	10,883	336,168	—	44,743	(44,743)	336,168	34,773	55	(55)	370,941
Unrestricted – Noncontrolling interest in Orthopedic and Neurosurgery Center of Greenwich, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—	99	—	99
Temporarily restricted	44,533	—	—	—	—	—	—	44,533	—	—	—	44,533	—	—	—	44,533
Permanently restricted	23,899	—	—	—	—	—	—	23,899	—	13,633	(13,633)	23,899	—	—	—	23,899
Total net assets	404,600	(10,860)	—	—	(18)	(5)	10,883	404,600	—	58,376	(58,376)	404,600	34,773	154	(55)	439,472
Total liabilities and net assets	\$ 603,911	2,979	526	214	331	56	(2,521)	605,496	—	83,646	(83,646)	605,496	34,871	159	(55)	640,471

See accompanying independent auditors' report.

GREENWICH HOSPITAL AND SUBSIDIARIES
 Consolidating Statement of Operations and Changes in Unrestricted Net Assets
 Year ended September 30, 2016
 (In thousands)

	Greenwich Hospital	Greenwich Fertility & IVF Center, P.C.	Greenwich Pathology Associates, LLC	Greenwich Clinical Pathology Associates, LLC	Greenwich Occupational Health Services of New York, P.C.	Greenwich Occupational Health Services of New Jersey, P.C.	Eliminations	Total Hospital	GHCS	Hospital Endowment Fund, Inc.	Eliminations	Total Obligated Group	The Perrvridge Corporation	Ambulatory Surgery Center, LLC	Eliminations	Consolidated
Operating revenue:																
Net patient service revenue	\$ 369,225	5,580	3,179	1,165	—	—	—	379,149	—	—	—	379,149	—	5,058	—	384,207
Less provision for bad debts	(15,919)	81	—	—	—	—	—	(15,838)	—	—	—	(15,838)	—	(354)	—	(16,192)
Net patient service revenue, less provisions for bad debts	353,306	5,661	3,179	1,165	—	—	—	363,311	—	—	—	363,311	—	4,704	—	368,015
Other revenue	20,186	386	—	—	370	174	(5,566)	15,550	—	2,976	(2,976)	15,550	4,374	—	(4,208)	15,716
Total operating revenue	373,492	6,047	3,179	1,165	370	174	(5,566)	378,861	—	2,976	(2,976)	378,861	4,374	4,704	(4,208)	383,731
Operating expenses:																
Salaries and benefits	148,426	1,895	—	—	281	155	(1,895)	148,862	—	—	—	148,862	—	—	—	148,862
Supplies and other	170,345	4,605	3,179	1,165	46	13	(4,880)	174,473	—	—	—	174,473	2,524	2,869	(4,208)	175,658
Depreciation	23,457	162	—	—	—	—	—	23,619	—	—	—	23,619	1,155	28	—	24,802
Interest	325	643	—	—	—	—	—	968	—	—	—	968	—	—	—	968
Total operating expenses	342,553	7,305	3,179	1,165	327	168	(6,775)	347,922	—	—	—	347,922	3,679	2,897	(4,208)	350,290
Income from operations	30,939	(1,258)	—	—	43	6	1,209	30,939	—	2,976	(2,976)	30,939	695	1,807	—	33,441
Nonoperating gains (losses):																
Income from Foundation operations	—	—	—	—	—	—	—	—	—	(600)	600	—	—	—	—	—
Change in fair value of swap, including counterparty payments	(1,069)	—	—	—	—	—	—	(1,069)	—	—	—	(1,069)	—	—	—	(1,069)
Change in unrealized gains and losses on investments	3,286	—	—	—	—	—	—	3,286	—	1,907	(1,907)	—	—	—	—	3,286
Other nonoperating gains and losses, net	1,550	—	—	—	—	—	—	1,550	—	—	—	1,550	—	—	(633)	917
Excess (deficiency) of revenue over expenses before noncontrolling interest	34,706	(1,258)	—	—	43	6	1,209	34,706	—	4,283	(4,283)	34,706	695	1,807	(633)	36,575
Less income attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,174)	—	(1,174)
Excess (deficiency) of revenue over expenses	34,706	(1,258)	—	—	43	6	1,209	34,706	—	4,283	(4,283)	34,706	695	633	(633)	35,401
Unrestricted net assets:																
Other changes in net assets	(1,855)	—	—	—	—	—	—	(1,855)	1,878	(2,976)	2,976	23	—	(1,198)	1,198	23
Net assets released from restrictions for purchase of fixed assets	1,535	—	—	—	—	—	—	1,535	—	—	—	1,535	—	—	—	1,535
Transfer to Yale New Haven Health Services Corporation – Mission Support	(12,360)	—	—	—	—	—	—	(12,360)	—	—	—	(12,360)	—	—	—	(12,360)
Pension related changes other than net periodic benefit cost	(26,976)	—	—	—	—	—	—	(26,976)	—	—	—	(26,976)	—	—	—	(26,976)
(Decrease) increase in unrestricted net assets	(4,950)	(1,258)	—	—	43	6	1,209	(4,950)	1,878	1,307	(1,307)	(3,072)	695	(565)	565	(2,377)

GREENWICH HOSPITAL AND SUBSIDIARIES
 Consolidating Statement of Operations and Changes in Unrestricted Net Assets, continued
 Year ended September 30, 2016
 (In thousands)

	Greenwich Hospital	Greenwich Fertility & IVF Center, P.C.	Greenwich Pathology Associates, LLC	Greenwich Clinical Pathology Associates, LLC	Greenwich Occupational Health Services of New York, P.C.	Greenwich Occupational Health Services of New Jersey, P.C.	Eliminations	Total Hospital	GHCS	Hospital Endowment Fund, Inc.	Eliminations	Total Obligated Group	The Perridge Corporation	Ambulatory Surgery Center, LLC	Eliminations	Consolidated
Unrestricted net assets - Noncontrolling interest in Orthopedic and Neurosurgery Center:																
Income attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	1,174	—	1,174
Distribution to noncontrolling members	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,380)	—	(2,380)
Increase in unrestricted net assets - noncontrolling interest in Orthopedic and Neurosurgery Center	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,206)	—	(1,206)
Total change in unrestricted net assets	(4,950)	(1,258)	—	—	43	6	1,209	(4,950)	1,878	1,307	(1,307)	(3,072)	695	(1,771)	565	(3,583)
Temporarily restricted net assets:																
Net realized gains and income from investments	\$ 2,071	—	—	—	—	—	—	2,071	—	—	—	2,071	—	—	—	2,071
Change in net unrealized gains and losses on investments	1,209	—	—	—	—	—	—	1,209	—	—	—	1,209	—	—	—	1,209
Bequest and contributions	6,325	—	—	—	—	—	—	6,325	—	—	—	6,325	—	—	—	6,325
Net assets released from restrictions for purchase of fixed assets	(1,535)	—	—	—	—	—	—	(1,535)	—	—	—	(1,535)	—	—	—	(1,535)
Net assets released from restrictions for operations	(5,266)	—	—	—	—	—	—	(5,266)	—	—	—	(5,266)	—	—	—	(5,266)
Net assets released from restrictions for nonoperating activities	(134)	—	—	—	—	—	—	(134)	—	—	—	(134)	—	—	—	(134)
Other transfers	81	—	—	—	—	—	—	81	—	—	—	81	—	—	—	81
Increase in temporarily restricted net assets	2,751	—	—	—	—	—	—	2,751	—	—	—	2,751	—	—	—	2,751
Permanently restricted net assets:																
Bequests, contributions and grants	241	—	—	—	—	—	—	241	—	189	(189)	241	—	—	—	241
Net realized gains on investments	33	—	—	—	—	—	—	33	—	—	—	33	—	—	—	33
Change in net unrealized gains and losses on investments	112	—	—	—	—	—	—	112	—	—	—	112	—	—	—	112
Other transfers	(81)	—	—	—	—	—	—	(81)	—	—	—	(81)	—	—	—	(81)
Increase (decrease) in permanently restricted net assets	305	—	—	—	—	—	—	305	—	189	(189)	305	—	—	—	305
(Decrease) increase in net assets including noncontrolling interest	(1,894)	(1,258)	—	—	43	6	1,209	(1,894)	1,878	1,496	(1,496)	(16)	695	(1,771)	565	(527)
Net assets at beginning of year	406,494	(9,603)	—	—	(60)	(11)	9,674	406,494	(1,878)	56,879	(56,879)	404,616	34,078	2,008	(703)	439,999
Net assets (deficiency) at end of year	\$ 404,600	(10,861)	—	—	(17)	(5)	10,883	404,600	—	58,375	(58,375)	404,600	34,773	237	(138)	439,472

See accompanying independent auditors' report.