NYU Langone Hospitals

Consolidated Financial Statements and Supplemental Information
August 31, 2019 and 2018

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Report of Independent Auditors

To the Board of Trustees of
NYU Langone Health System

We have audited the accompanying consolidated financial statements of NYU Langone Hospitals and its subsidiaries, which comprise the consolidated balance sheets as of August 31, 2019 and 2018, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the 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 our 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, we consider internal control relevant to the Company'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 Company'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NYU Langone Hospitals and its subsidiaries as of August 31, 2019 and 2018, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 2 to the consolidated financial statements, the Company changed the manner in which it presents net assets and reports certain aspects of its consolidated financial statements as a not-for-profit entity and the manner in which it accounts for revenue from contracts with customers in 2019. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, changes in net assets and cash flows of the individual companies.

PricewaterhouseCoopers LLP

New York, New York
December 13, 2019

NYU Langone Hospitals
Consolidated Balance Sheets
August 31, 2019 and 2018

(in thousands)	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 796,624	$ 395,076
Short-term investments	610,855	576,294
Assets limited as to use	14,325	22,196
Patient accounts receivable, net	808,186	765,682
Contributions receivable	28,801	56,308
Insurance receivables - billed	90,730	73,124
Due from related organizations, net	40,064	17,234
Inventories	114,956	99,040
Other current assets	188,500	154,580
Total current assets	2,693,041	2,159,534
Long-term investments	121,084	46,915
Assets limited as to use, less current portion	728,714	579,779
Contributions receivable, less current portion	17,543	24,565
Professional liabilities insurance recoveries receivable	104,063	117,049
Other assets	89,059	98,342
Due from related organizations, less current portion	9,500	57,420
Property, plant and equipment, net	4,643,348	4,545,009
Total assets	$ 8,406,352	$ 7,628,613
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 62,422	$ 88,961
Accounts payable and accrued expenses	388,445	402,243
Accrued salaries and related liabilities	279,918	204,141
Accrued interest payable	15,483	15,902
Current portion of accrued postretirement liabilities	2,913	2,525
Current portion of professional liabilities	7,244	14,871
Deferred revenue	156,350	99,561
Due to related organizations, net	53,481	34,463
Other current liabilities	97,411	102,317
Total current liabilities	1,063,667	964,984
Long-term debt, less current portion	2,425,877	2,409,329
Professional liabilities, less current portion	710,037	625,851
Accrued pension liabilities	735,948	384,504
Accrued postretirement liabilities, less current portion	100,509	79,290
Due to related organizations, less current portion	-	52,440
Other liabilities	307,253	273,490
Total liabilities	5,343,291	4,789,888
Net assets		
Net assets without donor restrictions	2,955,894	2,693,997
Net assets with donor restrictions	107,167	144,728
Total net assets	3,063,061	2,838,725
Total liabilities and net assets	$ 8,406,352	$ 7,628,613

The accompanying notes are an integral part of these consolidated financial statements.

NYU Langone Hospitals
Consolidated Statements of Operations
Years Ended August 31, 2019 and 2018

(in thousands)	2019	2018
Operating revenues and other support		
Net patient service revenue	$ 6,087,828	$ 5,647,849
Grants and sponsored programs	29,686	36,937
Insurance premiums earned	97,117	115,545
Contributions	6,571	9,326
Endowment distribution and return on short-term investments	69,684	25,933
Other revenue	429,758	207,302
Net assets released from restrictions for operating purposes	43,685	12,978
Total operating revenues and other support	6,764,329	6,055,870
Operating expenses		
Salaries and wages	2,064,960	2,169,073
Employee benefits	679,543	668,350
Supplies and other	2,931,477	2,628,914
Depreciation and amortization	380,436	305,759
Interest	101,706	86,153
Total operating expenses	6,158,122	5,858,249
Gain from operations	606,207	197,621
Other items		
Other component of pension and postretirement costs	12,763	14,298
Investment return in excess of endowment distribution, net	2,032	14,764
Mission based payment to NYUGSoM	(50,000)	(50,000)
Grants for capital acquisitions	6,134	31,077
Other	3,467	(212)
Excess of revenue over expenses	580,603	207,548
Other changes in net assets without donor restrictions		
Changes in pension and postretirement obligations	(382,430)	14,150
Contributions for capital asset acquisitions	1,060	2,311
Equity transfers from (to) related organizations, net	27,025	(134,268)
Net assets released from restrictions for capital purposes	35,639	272,569
Net assets reclassification related to cy-pres	-	8,692
Net increase in net assets without donor restrictions	$ 261,897	$ 371,002

The accompanying notes are an integral part of these consolidated financial statements.

NYU Langone Hospitals
Consolidated Statements of Changes in Net Assets
Years Ended August 31, 2019 and 2018

(in thousands)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Net assets at August 31, 2017	$ 2,322,995	$ 389,707	$ 2,712,702
Excess of revenue over expenses	207,548	-	207,548
Net assets released from restrictions for operating purposes	-	(12,978)	(12,978)
Net assets released from restrictions for capital purposes	272,569	(272,569)	-
Change in pension and postretirement obligation	14,150	-	14,150
Net assets reclassification related to cy-pres	8,692	(8,692)	-
Equity transfers to related organizations, net	(134,268)	-	(134,268)
Investment return, net	-	3,375	3,375
Appropriation of endowment distribution	-	(1,403)	(1,403)
Gifts, bequests and other items	2,311	47,288	49,599
Total changes in net assets	371,002	(244,979)	126,023
Net assets at August 31, 2018	2,693,997	144,728	2,838,725
Excess of revenue over expenses	580,603	-	580,603
Net assets released from restrictions for operating puposes	-	(43,685)	(43,685)
Net assets released from restrictions for capital purposes	35,639	(35,639)	-
Change in pension and postretirement obligation	(382,430)	-	(382,430)
Equity transfers from related organizations, net	27,025	-	27,025
Investment return, net	-	215	215
Appropriation of endowment distribution	-	(771)	(771)
Gifts, bequests and other items	1,060	42,319	43,379
Total changes in net assets	261,897	(37,561)	224,336
Net assets at August 31, 2019	$ 2,955,894	$ 107,167	$ 3,063,061

The accompanying notes are an integral part of these consolidated financial statements.

NYU Langone Hospitals
Consolidated Statements of Cash Flows
Years ended August 31, 2019 and 2018

(in thousands)	2019	2018
Cash flows from operating activities		
Changes in net assets	$ 224,336	$ 126,023
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	380,436	305,759
Loss on disposal of property plant and equipment	279	6,168
Post-retirement and pension benefit adjustment	382,430	(14,150)
Equity transfers (from) to related organizations, net	(27,025)	134,268
Cash contributions restricted for capital	(15,331)	(8,938)
Donated securities liquidated to cash and restricted for capital	(15,430)	(14,584)
Gain on settlement	(62,414)	-
Payments received for commercial insurance and disaster recovery award for future mitigation	(8,709)	(5,558)
Write-off of contribution receivable	2,013	23
Net unrealized and realized gain on investments and assets limited as to use	(40,633)	(21,058)
Changes in operating assets and liabilities		
Patient accounts receivable, net	(42,504)	(30,734)
Non-capital contributions receivable	32,516	8,188
Insurance receivables – billed	(17,606)	(7,014)
Accounts payable and accrued expenses	16,892	12,548
Accrued salaries and related liabilities	75,777	19,200
Accrued interest payable	(419)	675
Due to related organizations, net	(8,332)	85,092
Professional liabilities, net	89,545	16,184
Accrued pension obligation	(12,382)	(25,578)
Accrued postretirement obligation	3,003	3,834
Other operating assets, liabilities and deferred revenue	102,121	(8,272)
Net cash provided by operating activities	1,058,563	582,076
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(459,282)	(777,212)
Purchases of investments	(573,454)	(65,427)
Sales of investments	468,212	217,705
Commercial insurance proceeds for capital	3,761	5,558
Changes in assets limited as to use, net	(103,919)	(67)
Net cash used in investing activities	(664,682)	(619,443)
Cash flows from financing activities		
Equity transfers from (to) related organizations, net	11,541	(134,268)
Cash contributions and proceeds from donated securities restricted for capital	30,761	23,522
Payments received for disaster recovery award for future mitigation	4,948	-
Principal payments on long-term debt and capital leases	(64,583)	(66,696)
Proceeds from borrowing on lines of credit	25,000	281,519
Payments on lines of credit	-	(25,000)
Net cash provided by financing activities	7,667	79,077
Net increase in cash and cash equivalents	401,548	41,710
Cash and cash equivalents		
Beginning of year	395,076	353,366
End of year	$ 796,624	$ 395,076
Supplemental information		
Cash paid for interest	$ 114,061	$ 101,949
Assets acquired under capital leases	31,378	89,130
Change in non-cash acquisitions of property, plant and equipment	(13,694)	(3,199)

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

NYU Langone Hospitals ("Langone Hospitals") owns and operates five inpatient acute care facilities and over 35 ambulatory facilities in Manhattan, Brooklyn, and Long Island. The Manhattan inpatient facilities are the Kimmel Pavilion (which also houses the Hassenfeld Children's Hospital) and Tisch Hospital, located on the main campus at First Avenue and 34th Street with 844 licensed beds; NYU Langone Orthopedic Hospital, a 225 bed facility specializing in orthopedic, neurologic, and rheumatologic services; NYU Langone Hospital-Brooklyn ("Brooklyn"), a 450 bed facility in the Sunset Park section of Brooklyn; and NYU Winthrop Hospital ("Winthrop"), a 591 bed facility located in Mineola, New York. Ambulatory facilities include the Laura and Isaac Perlmutter Cancer Center, the Ambulatory Care Center, the Outpatient Surgery Center, the Orthopedic Center, a free-standing Emergency Department in the Cobble Hill section of Brooklyn, the Brooklyn Endoscopy and Ambulatory Surgery Center in the Midwood section of Brooklyn and Levit Medical, a diagnostic and treatment facility with three locations in Brooklyn.

Langone Hospitals is a Section 501(c)(3) organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and from New York State and City income taxes.

Langone Hospitals owns Winthrop Clinical Partners, Inc. ("WCP"), a not-for-profit entity which invests in joint ventures with medical facilities; Winthrop-University Hospital Services Corp. ("WUHSC"), a real estate holding company, and various faculty, community and hospital-based physician service organizations. Langone Hospitals owns CCC550 Insurance, SCC. ("CCC550") which provides professional liability insurance to Langone Hospitals, physicians employed by NYU Robert I. Grossman School of Medicine ("NYUGSoM") and other non-employed physicians (Note 8). CCC550 is subject to taxation in accordance with section 29 of the Exempt Insurance Act in Barbados.

Langone Hospitals is controlled by NYU Langone Health System (the "Health System"), which is a subsidiary of New York University (the "University"). The University does not assume any responsibility or liability for the financial obligations of the Health System or Langone Hospitals. NYUGSoM and the newly opened NYU Long Island School of Medicine ("NYULISoM") are schools within the University, but not separate legal entities. Langone Hospitals, the Health System, NYUGSoM and NYULISoM are collectively referred to as NYU Langone Health. The University Board of Trustees appoints the members of the Health System Board, the Langone Hospitals' Board and the NYUGSoM Advisory Board, who are the same individuals.

Merger with NYU Winthrop Hospital

On April 1, 2017, the Health System and Winthrop-University Hospital Association completed the first phase of a two-phase affiliation when the Health System became the sole corporate member of Winthrop and its subsidiaries. On April 8, 2019, the Health System and Winthrop received a Certificate of Need approval from the New York State Department of Health for a full asset merger (the "Merger"). On August 1, 2019 the second phase of the affiliation was completed when the renamed NYU Winthrop Hospital and its subsidiaries merged into Langone Hospitals.

The Merger was accounted for under Accounting Standards Codification ("ASC") Topic 805-50, *Business Combinations*. As Langone Hospitals and Winthrop were under common control as of the affiliation date of April 1, 2017, the accompanying financial statements as of and for the years ended August 31, 2019 and 2018 reflect Winthrop's financial position, results of its operations, changes in net assets and cash flows as if the Merger had been completed at the beginning of the previous year (September 1, 2017).

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements include the accounts of Langone Hospitals, CCC550, and the Winthrop subsidiaries (WUHSC and WCP). Accordingly, amounts due from or to and the transactions between these entities have been eliminated in consolidation.

Related Organizations

Transactions among Langone Hospitals' related organizations relate principally to the sharing of certain services, facilities, equipment and personnel and are accounted for on the basis of allocated cost, as agreed among the parties (primarily NYUGSoM). The amounts due from or to related organizations for operating activities do not bear interest. Additionally, Langone Hospitals has established guidelines for reimbursement, on a fee-for-service basis, for services provided to or by its related organizations.

Langone Hospitals has an existing affiliation agreement with Sunset Park Health Council, Inc., a New York not-for-profit corporation, d/b/a Family Health Centers at NYU Langone ("FHC"). FHC is a designated Level 3 Medical Home and co-operates a Federally Qualified Health Center ("FQHC") with Langone Hospitals under Langone Hospitals' operating certificate. The affiliation agreement will remain in effect for as long as Langone Hospitals remains a co-operator of the FQHC.

Authoritative Pronouncements

New Authoritative Pronouncements adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled to in exchange for goods and services. Langone Hospitals adopted ASU 2014-09 in fiscal year 2019. Adoption did not have a material impact on Langone Hospital's consolidated financial statements and changes have been applied to on a full retrospective basis (Note 2).

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not for Profit Entities*. Langone Hospitals has adopted this standard retrospectively in fiscal year 2019. Under the new guidance, the existing three category classification of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) are replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Unrestricted net assets have been renamed "net assets without donor restriction." The guidance also enhances disclosures about liquidity and expenses by both natural and functional classification (Notes 4 and 10, respectively). Adoption did not have a material impact on Langone Hospital's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and for determining whether a contribution is conditional or unconditional. Langone Hospitals adopted ASU 2018-08 in fiscal year 2019 on a modified prospective basis and adoption did not have a material impact on the consolidated financial statements.

Authoritative Pronouncements not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, representing the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, to provide an additional transition method to adopt the guidance by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative effect to the opening balance of net assets. The standard is effective for fiscal years beginning after December 15, 2018. Langone Hospitals expects adoption to have a material impact on the consolidated balance sheet as of August 31, 2020, as it will record additional right-of-use lease assets and lease liabilities with respect to its current operating leases.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid financial instruments purchased with a maturity of three months or less, excluding those held in its investment portfolio and assets limited as to use. Langone Hospitals maintains its deposits with high credit quality financial institutions and has balances in these financial institutions that exceed federal depository insurance limits. Management does not believe the credit risk related to these deposits to be significant.

Investments and Assets Limited as to Use

Investments

Short-term investments consist of cash and cash equivalents and marketable securities classified as trading. Langone Hospitals classifies investments based on their availability for use rather than on the timing of their intended use. Return on these investments are included in operating revenues on the consolidated statements of operations.

Long-term investments include funds held in a pooled investment portfolio maintained by the University (Note 3), and certain donor-restricted funds of Winthrop which are held in a separate pooled account. The University's investment pool is managed to maximize the prudent long-term return and the University's Board of Trustees has authorized a policy designed to allow asset growth while providing a predictable flow of return to support operations. Distributions from the long term investments held by the endowment to support operations (approximately 4.5% in 2019 and 2018) are calculated using the prior year distribution adjusted for the change in the New York Metro Area Consumer Price Index (CPI). Endowment distributions are reported within operating revenues in the consolidated statements of operations. Investment return greater or less than the University's approved endowment distribution is reported within other items in the consolidated statements of operations.

Assets limited as to use

Assets limited as to use consist of externally restricted assets held under long-term debt agreements (Note 7), assets limited as to use for deferred retirement benefits, assets held by CCC550 (Note 8), and assets advanced and restricted under the FEMA Capped Grant program (Note 15). These assets include cash and cash equivalents, U.S. government and corporate bonds, money market funds and equity securities and contain both marketable and nonmarketable securities (Note 3). Investment return for the years ending August 31, 2019 and 2018 is reported as operating revenues in the consolidated statements of operations.

Fair Value Measurements

Fair Value Accounting establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

The guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

As a basis for comparing assumptions, accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

Level 1 Financial instruments for which quoted market prices are available in active markets. Market price data is generally obtained from exchange or dealer markets.

Level 2 Financial instruments for which there are inputs, other than the quoted prices in active markets, that are observable either directly or indirectly. These investments can also be valued by the investment portfolio managers utilizing a portfolio system. NYU Langone Hospitals reviews the results of these valuations in assessing its fair value of investments.

Level 3 Financial instruments for which there are unobservable inputs, in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors.

The following is a description of the methods and assumptions used to estimate fair value of NYU Langone Hospitals' assets limited as to use and investments. There have been no changes in valuation methods and assumptions used at August 31, 2019 and 2018.

U.S. Government Obligations, Fixed Income, and Equity Investments
Valued on the basis of the quoted market prices at year-end (Level 1). If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings (Level 2).

Cash and Cash Equivalents
Consist primarily of U.S. Government debt securities with maturities less than three months from year-end. These investments are valued on the basis of the quoted market prices at year-end. If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings (and are classified as Level 2).

Real Estate
Real estate includes public and private investments in real estate (Level 2).

Investments held in University pooled investment portfolio
The fair value of the investments held in the University's pooled investment portfolio is based on values reported by the University's respective external investment managers, and consist of both marketable and nonmarketable securities. As the fair value of Langone Hospitals' units held in the University's pool investment portfolio cannot be corroborated by observable market data as of August 31, 2019 and 2018, it is classified as Level 3.

Inventories
Langone Hospitals' inventories are carried at the lower of cost or market using the FIFO (first-in, first-out) method. Inventories are used in the provision of patient care and generally are not held for sale.

Property, Plant and Equipment
Property, plant and equipment is carried at cost. The carrying amounts of assets and the related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Annual provisions for depreciation are made based primarily upon the straight-line method over the estimated useful lives of the assets as follows:

Land improvement	20 years
Building improvement	10-25 years
Buildings	40-60 years
Fixed and moveable equipment	3-20 years

Equipment under capital leases is recorded at present value at the inception of the lease and is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. The amortization of assets recorded under capital leases is included in depreciation and amortization expense in the accompanying consolidated statements of operations. Repairs and maintenance expenditures are expensed as incurred.

Asset Retirement Obligation
Langone Hospitals recorded an asset retirement obligation liability related to the estimated future costs to remediate asbestos. At August 31, 2019 and 2018, the liability was approximately $58.0 million and $43.1 million, respectively, and is included in other liabilities in the consolidated balance sheets.

Net Assets
Net assets with donor restrictions include gifts, pledges, trusts, and gains whose use by Langone Hospitals have been limited by donors to a specific time period and/or purpose. Contributions receivable that do not carry a purpose restriction are deemed to be time restricted. Donor restrictions are removed either through the passage of time or because certain actions are taken by Langone Hospitals that fulfill the restrictions. Contributions to construct long lived assets are released when the asset is placed into service. Certain donor restrictions are perpetual in nature while allowing the use of the investment return for general or specific purpose, in accordance with donor provisions.

Net assets without donor restriction are the remaining net assets of Langone Hospitals that are used to carry out its mission and are not subject to donor restrictions.

Contributions

Contributions, including unconditional promises or pledges to give cash or donate securities and other assets, are reported at fair value on the date received. Contributions receivable are reported at their discounted present value and an allowance for amounts estimated to be uncollectible is applied. Conditional promises to give are not recognized as revenue until they become unconditional, that is when the conditions on which they depend are substantially met.

The gifts are reported as donor-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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

During the years ended August 31, 2019, and 2018, Langone Hospitals received contributed securities of $49.5 million and $17.7 million which were subsequently liquidated before August 31, 2019, and 2018, respectively.

Grants and Sponsored Programs

Grants and sponsored programs revenues represent reimbursements of costs incurred in direct support of sponsored activities. Operating revenue recorded from grants and sponsored programs amounted to $29.7 million and $36.9 million for the years ended August 31, 2019 and 2018, respectively.

Included in grants and sponsored programs revenue is reimbursement related to the Delivery System Reform Incentive Payment ("DSRIP") Program. The DSRIP program is a five-year program funded by New York State intended to promote community-level collaborations to focus on health system reform and enhance the value provided by the health care system. DSRIP funding is available to certain hospitals and providers participating in networks (referred to as Performing Provider Systems, PPS) that are able to establish performance improvement activities in certain predefined clinical improvement areas. The PPS that Langone Hospitals coordinates has submitted plans for clinical improvement projects in order to be eligible for payments under the DSRIP program. Langone Hospital recorded DSRIP revenue of $18.2 million and $30.7 million for the years ended August 31, 2019 and August 31, 2018, respectively.

Grants for Capital Acquisitions

In 2016, Langone Hospitals received two awards totaling $26.6 million as part of DSRIP's Capital Restructuring Financing Program to fund the NYU Langone PPS projects at the Brooklyn campus, which was recognized as revenue within other items in the consolidated statements of operation during the year ended August 31, 2018.

Uncompensated Care

As a matter of policy, Langone Hospitals provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated as charity care.

Federal and state law requires that hospitals provide emergency services regardless of a patient's ability to pay. In accordance with these laws, Langone Hospitals has implemented a discount policy and financial aid program that is consistent with the mission, values, and capacity of Langone Hospitals, while considering an individual's ability to contribute to his or her care. Under this policy, the discount offered to uninsured patients is reflected as a reduction to net patient service revenue at the time the uninsured billings are recorded.

Uninsured patients seen in the emergency department, including patients subsequently admitted for inpatient services, often do not provide information necessary to allow Langone Hospitals to qualify such patients for charity care. Net patient service revenue related to uninsured patients who do not qualify for either Medicaid assistance or Langone Hospitals' financial aid program is recognized for the amount of consideration to which Langone Hospitals expects to be entitled in exchange for providing patient care, net of implicit price concessions based on historical collections. Implicit price concession rates for uninsured patients are refined on an annual basis.

Langone Hospitals' charity care policy, in accordance with the New York State Department of Health's guidelines, ensures the provision of quality health care to the community served while carefully considering the ability of the patient to pay. The policy has sliding fee schedules for inpatient, ambulatory and emergency services provided to the uninsured and under-insured patients that qualify. Patients are eligible for the charity care fee schedule if they meet certain income tests. Since payment of the difference between Langone Hospitals' standard charges and the charity care fee schedules is not sought, these forgone charges for charity care are not reported as revenue. Total forgone charges for charity care totaled $102.9 million and $94.7 million for the years ended August 31, 2019 and 2018, respectively. This equated to an approximate cost of $21.8 million and $20.6 million for the years ended August 31, 2019 and 2018, respectively, which is based on a ratio of cost to charges.

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of uncompensated care and service provided to uninsured. The funds are distributed to Langone Hospitals based on an uninsured methodology. Subsidy payments recognized as revenue amounted to approximately $60.9 million and $58.1 million for the years ended August 31, 2019 and 2018, respectively, and are included in net patient service revenue in the accompanying consolidated statements of operations. At August 31, 2019 and 2018, receivables from indigent care pools totaled $28.3 million and $47.9 million, respectively, and are included in other current assets on the consolidated balance sheets. Langone Hospitals has paid $60.6 million and $55.4 million into the indigent care pool for the years ended August 31, 2019 and 2018, respectively.

Performance Indicator

The consolidated statements of operations include excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from excess of revenue over expenses, consistent with industry practice, include changes in pension and postretirement obligations, contributions for capital asset acquisitions, equity transfers from (to) related organizations, net assets released from restrictions for capital purposes, and net asset reclassifications related to cy-pres.

Langone Hospitals differentiates its operating activities through the use of gain from operations as an intermediate measure of operations. For the purpose of display, items which management does not consider to be components of Langone Hospitals' operating activities are excluded from the gain from operations and reported as other items in the consolidated statements of operations. These include other components of pension and postretirement costs, investment return in excess of endowment distribution, net, mission based payment to NYUGSoM, grants for capital acquisitions, and other.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated contractual discounts on accounts receivable for services to patients, and liabilities, including estimated settlements with third party payors, professional insurance liabilities, and pension and postretirement benefit liabilities. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Income Taxes
The FASB guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the consolidated financial statements. Uncertain income tax positions did not have a significant impact on Langone Hospitals' consolidated financial statements during the years ended August 31, 2019 and 2018.

2. Net Patient Service Revenue and Accounts Receivable

Langone Hospitals has agreements with third-party payors that provide for payments to Langone Hospitals at amounts different from its established rates (i.e., gross charges). Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Langone Hospitals grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Langone Hospitals bills patients and third-party payers several days after the services are performed and/or the patient is discharged. Patient service revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected charges. Generally, performance obligations over time relate to patients receiving inpatient acute care services or patients receiving services in Langone Hospitals' outpatient and ambulatory care centers. Langone Hospitals measures the performance obligation from admission into the hospital or the commencement of an outpatient or physician service to the point when it is no longer required to provide services to that patient, which is generally the time of discharge or the completion of the outpatient or physician visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, Langone Hospitals has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) *Revenue from Contracts with Customers* and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Billings related to services rendered are recorded as net patient service revenue in the period in which the service is performed and reflects the consideration to which Langone Hospitals expects to be paid in exchange for providing patient care. Langone Hospitals determines the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers based on contractual agreements, discounts provided to uninsured patients in accordance with Langone Hospitals' policy, and implicit concessions provided to uninsured patients. The adoption of ASU 2014-09 resulted in changes to the presentation and disclosure of revenue primarily related to uninsured or underinsured patients. For the years ended August 31, 2019, and 2018, Langone Hospitals recorded $49.0 and $42.3 of implicit price concessions as a direct reduction to net patient service revenue that would have been recorded as provisions for bad debts prior to the adoption of ASU 2014-09.

Langone Hospitals estimates its implicit price concessions using a quarterly standardized approach to review historical collections based on major payor classification as a practical expedient to account for patient contracts as collective groups rather than individually. Based on historical collection trends, the financial statement effects of using this practical expedient are not materially different from an individual contract approach. In addition, Langone Hospitals assesses the current state of its billing functions in order to identify any known collection or reimbursement issues and assess the impact, if any, on estimates. Langone Hospitals believes that the collectability of its receivables is directly linked to the quality of its billing processes, most notably those related to obtaining the correct information in order to bill effectively for the services it provides. Subsequent changes to the estimate of transaction price are recorded as adjustments to net patient service revenue in the period of the change.

Certain net patient service revenues received are subject to retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The net amounts recorded, related to prior years and changes in estimates increased the performance indicator by approximately $8.1 million and $13.5 million for the years ended August 31, 2019 and 2018, respectively.

A summary of the payment arrangements with major third-party payors follows:

Medicare Reimbursement
Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The current Medicare severity adjusted diagnosis related groups (“MS - DRGs”) reflect changes in technology and current methods of care delivery. The MS-DRG system is intended to ensure that payments more accurately reflect the costs of services provided by hospitals by better recognizing the severity of a patient’s illness. The MS-DRGs also require identification of conditions that are present upon admission. Inpatient rehabilitation cases are grouped into case-mix groups. Outpatients are assigned to ambulatory payment classification groups. The Centers for Medicare and Medicaid Services issues annual updates to payment rates and patient classification groups.

NonMedicare Reimbursement
The New York Health Care Reform Act of 1996, as updated, governs payments to hospitals in New York State. Under this system, hospitals and all nonMedicare payors, except Medicaid, workers’ compensation and no-fault insurance programs, negotiate hospital’s payment rates. If negotiated rates are not established, payors are billed at hospitals established charges. Medicaid, workers’ compensation and no-fault payors pay hospital rates promulgated by the New York State Department of Health (“NYS DOH”) on a prospective basis. Adjustments to current and prior year’ rates for these payors will continue to be made in the future.

There are also various other proposals at the federal and state level that could, among other things, reduce payment rates. The ultimate outcome of these proposals, regulatory changes, and other market conditions cannot presently be determined.

Langone Hospitals has established estimates, based on information presently available, of amounts due to or from Medicare and nonMedicare payors for adjustments to current and prior year payment rates, based on industry-wide and hospital-specific data. The net amount due to third party payors is $76.0 million and $70.4 million at August 31, 2019 and 2018, respectively and is included in other assets and other liabilities on the consolidated balance sheets. Additionally, certain payors' payment rates for various years have been appealed by Langone Hospitals. If the appeals are successful, additional income applicable to those years will be realized.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Langone Hospitals' Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2014; however, final settlements are pending for 2003 and 2004. Brooklyn's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2015; however, final settlements are pending for the years 2008 to 2013. Winthrop's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2016 and there are no final settlements pending.

Patient service revenue, net of contractual adjustments and discounts and implicit price concessions is as follows for the years ended August 31, 2019 and 2018:

(in thousands)	**2019**	**2018**
Gross charges	$ 29,702,740	$ 27,124,247
Contractual discounts and implicit price concessions	(23,614,912)	(21,476,398)
Total net patient service revenue	$ 6,087,828	$ 5,647,849

The mix of net patient service revenue for the years ended August 31, 2019 and 2018 is as follows:

	2019	**2018**
Medicare	16 %	18 %
Medicaid	2	2
Medicare and Medicaid managed care	17	17
Blue Cross	26	24
Commercial insurance and managed care	39	39
	100 %	100 %

The mix of net patient accounts receivables at August 31, 2019 and 2018 is as follows:

	2019	**2018**
Medicare	9 %	11 %
Medicaid	2	2
Medicare and Medicaid managed care	21	20
Blue Cross	21	19
Commercial insurance and managed care	47	48
	100 %	100 %

3. Investments and Assets Limited as to Use

The composition and fair value hierarchy of investments and assets limited as to use measured at fair value on a recurring basis at August 31, 2019 and 2018, is set forth in the following tables:

	August 31, 2019			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Cash and cash equivalents	$ -	$ 399,907	$ -	$ 399,907
Equity	187,667	-	-	187,667
Fixed income	27,805	11,412	-	39,217
Investments held in University pooled investments	-	-	105,148	105,148
Total investments	$ 215,472	$ 411,319	$ 105,148	731,939
Less: Short-term investments				(610,855)
Total long term investments				$ 121,084
Assets limited as to use				
Cash and cash equivalents	$ 74,277	$ -	$ -	$ 74,277
Equity	72,745	2,326	1,062	76,133
Fixed income	17,240	571,257	-	588,497
Real Estate	92	599	-	691
Sub-total assets limited as to use	$ 164,354	$ 574,182	$ 1,062	739,598
Stable value fund held at contract value				3,441
Total assets limited as to use				743,039
Less: Current portion				(14,325)
Total long term assets limited as to use				$ 728,714

(in thousands)	August 31, 2018 Level 1	Level 2	Level 3	Total
Investments				
Equity	$ 180,661	$ -	$ -	$ 180,661
Fixed income	399,080	10,191	-	409,271
Investments held in University pooled investments	-	-	30,603	30,603
Total non cash investments	$ 579,741	$ 10,191	$ 30,603	620,535
Cash and cash equivalents				2,674
Total investments				623,209
Less: Short-term investments				(576,294)
Total long term investments				$ 46,915
Assets limited as to use				
Cash and cash equivalents	$ 47,812	$ -	$ -	$ 47,812
U.S. government obligations	10,321	-	-	10,321
Fixed income	14,919	446,440	-	461,359
Equity	76,171	2,225	1,035	79,431
Real Estate	-	512	-	512
Sub-total assets limited as to use	$ 149,223	$ 449,177	$ 1,035	599,435
Stable value fund held at contract value				2,540
Total assets limited as to use				601,975
Less: Current portion				(22,196)
Total long term assets limited as to use				$ 579,779

The following table provides a roll forward of the fair value of Level 3 investments for the years ended August 31, 2019 and 2018:

(in thousands)	2019	2018
Fair value at beginning of year	$ 31,638	$ 28,436
Purchases	72,917	-
Transfers in	-	1,035
Realized and unrealized gains	2,743	2,241
Liquidations	(1,088)	(74)
Fair value at end of year	$ 106,210	$ 31,638

Investment return consisted of the following for the years ended August 31, 2019 and 2018:

(in thousands)	2019	2018
Dividends and interest	$ 30,798	$ 22,520
Realized and unrealized gains, net	40,633	21,058
Investment expenses	(271)	(909)
Total investment return, net	$ 71,160	$ 42,669
Endowment distribution and return on short-term investments	$ 69,684	$ 25,933
Investment return in excess of endowment distribution, net	2,032	14,764
Investment return on net assets with donor restriction	215	3,375
Appropriation of endowment distribution on net assets with donor restriction	(771)	(1,403)
Total investment return, net	$ 71,160	$ 42,669

Langone Hospitals' assets limited as to use can be categorized as limited for the following purposes:

(in thousands)	2019	2018
Assets held under long-term debt agreements (Note 7)		
Construction funds	$ -	$ 76
Debt service funds	7,082	7,325
Debt service reserve funds	4,467	4,455
	11,549	11,856
Assets limited as to use-Deferred benefits	44,027	44,019
Self-insurance trust funds (Note 8)	57,898	58,627
Assets held by CCC550 (Note 8)	609,708	467,206
Assets limited as to use- other restrictions (Note 15)	19,857	20,267
Total assets limited as to use	743,039	601,975
Less: Current portion	(14,325)	(22,196)
Long term portion	$ 728,714	$ 579,779

4. Liquidity and Availability of Resources

Financial assets and resources available to meet the cash needs for general expenditures within one year of the date of the consolidated balance sheets were as follows:

(in thousands)	**2019**	**2018**
Financial assets:		
Cash and cash equivalents	$ 796,624	$ 395,076
Short-term investments	610,855	576,294
Patient accounts receivable, net	808,186	765,682
Contributions receivable	28,801	56,308
Insurance receivables - billed	90,730	73,124
Due from related organizations, net	5,776	-
Other current assets	54,989	71,584
Subsequent year endowment distribution	1,259	1,087
Funds functioning as endowment available for operations	85,764	12,528
	2,482,984	1,951,683
Liquidity resources:		
Lines of credit (undrawn)	263,481	113,481
	$ 2,746,465	$ 2,065,164

As part of Langone Hospitals' liquidity management, it is policy to classify financial assets based on their availability for use rather than on the timing of their intended use. The table above excludes the current portion of externally restricted assets limited as to use that are available for use within one year of the date of the consolidated statement of financial position totaling $14.3 million and $22.2 million as of August 31, 2019 and 2018, respectively (refer to Note 3 for disclosures about assets limited to use).

5. Contributions Receivable

Unconditional promises to give are recorded when the gift intent is made known in writing. A receivable has been established and net assets have been increased by the time-discounted value of the unconditional promises. Estates are estimated and recorded at the conclusion of probate.

Langone Hospitals has received numerous unconditional promises to give and estimates the year of receipt to the extent possible. Contributions receivable recorded within the accompanying consolidated balance sheet are recorded net of both a present value discount and an allowance for uncollectable pledges.

The anticipated payments of the receivables are as follows:

(in thousands)	2019	2018
Amounts to be collected in		
Less than one year	$ 28,801	$ 56,308
One to five years	25,057	32,699
More than five years	-	300
	53,858	89,307
Discount	(750)	(3,006)
Allowance for uncollectible amounts	(6,764)	(5,428)
Contributions receivable, net	$ 46,344	$ 80,873

Contributions receivable activity for the years ended August 31, 2019 and 2018 was as follows:

(in thousands)	2019	2018
Contributions receivable at beginning of year, gross	$ 89,307	$ 106,945
New pledges received (undiscounted)	33,845	9,512
Write-offs	(2,013)	(23)
Pledge payments received	(67,281)	(27,127)
Contributions receivable at end of year, gross	53,858	89,307
Deduct discount and allowance for uncollectables	(7,514)	(8,434)
Contributions receivable at end of year, net	$ 46,344	$ 80,873

Conditional promises to give, not included in these financial statements, were $25.3 million and $29.6 million at August 31, 2019 and 2018, respectively.

Expenses related to fundraising activities were $12.0 million and $5.9 million for the years ended August 31, 2019 and 2018, respectively.

6. Property, Plant and Equipment

A summary of property, plant and equipment is as follows at August 31, 2019 and 2018:

	2019	2018
Land and improvements	$ 182,584	$ 167,022
Buildings and improvements	4,212,376	3,907,538
Capital leases	206,079	240,105
Fixed and movable equipment	1,152,855	1,109,607
	5,753,894	5,424,272
Less: Accumulated depreciation	(1,598,530)	(1,354,668)
	4,155,364	4,069,604
Capital projects in progress	487,984	475,405
Property, plant and equipment, net	$ 4,643,348	$ 4,545,009

Depreciation expense for the years ended August 31, 2019 and 2018 was $378.3 million and $303.7 million, respectively.

Substantially all property, plant and equipment have been pledged as collateral under various debt agreements (excluding working capital lines of credit).

7. Long-Term Debt

Langone Hospitals has various bond issuances outstanding which are issued through Langone Hospitals' obligated group. On August 1, 2019, as a result of the Merger, Winthrop became part of the Langone Hospitals' Obligated Group for its outstanding bond issuances and bond holders of legacy Winthrop debt are now governed by the Master Trust Indenture of Langone Hospitals.

Langone Hospitals' Obligated Group issues taxable bonds directly or tax exempt bonds through the Dormitory Authority of the State of New York ("DASNY"). Two issuances of tax exempt bonds issued by Winthrop prior to the Merger were issued through the Nassau County Local Economic Assistance Corporation ("NCLEAC"). Langone Hospitals' legally Obligated Group for these bond issuances excludes CCC550, WUHSC, WCP and any other Langone Hospitals or Health System subsidiary entities.

A summary of long-term debt is as follows at August 31, 2019 and 2018:

(in thousands)	**2019**	**2018**
Series 2011A [a]	$ 4,220	$ 8,240
Series 2014 [b]	69,395	72,275
Series 2014 S2 [c]	100,260	103,005
Series 2016A [a]	134,570	142,570
Winthrop NCLEAC Series 2012 [d]	111,415	114,230
Winthrop NCLEAC Series 2014 [e]	32,872	34,332
Taxable Series 2012A [f]	250,000	250,000
Taxable Series 2013A [g]	350,000	350,000
Taxable Series 2014A [h]	300,000	300,000
Taxable Series 2017A [i]	600,000	600,000
Lines of credit [j]	336,519	311,519
Mortgages payable [k]	20,292	24,430
Commercial loan [l]	16,802	17,575
Capital leases and equipment loans [m]	124,994	130,909
	2,451,339	2,459,085
Add: Unamortized bond premium	49,721	52,510
Less: Unamortized bond discount	(2,986)	(3,111)
Less: Deferred financing fees	(9,775)	(10,194)
Less: Current portion	(62,422)	(88,961)
Long term debt, less current portion	$ 2,425,877	$ 2,409,329

Interest expense on long-term debt totaled $101.7 million and $86.2 million for the years ended August 31, 2019 and 2018, respectively. This excludes $6.0 million and $15.6 million of capitalized interest for the years ended August 31, 2019 and 2018, respectively, which is included in property, plant and equipment, net.

a. In 2016, Langone Hospitals issued, through DASNY, the Series 2016A revenue bonds totaling $157.3 million. The Series 2016A bonds are payable at varying dates through July 2040 at fixed rates varying from 2.75% to 5.00%. The proceeds of the Series 2016A bonds were used to advance refund Langone Hospitals' outstanding indebtedness on its Series 2006A bonds and a portion of the Series 2011A bonds.

b. In 2014, Langone Hospitals issued through DASNY, Series 2014 bonds totaling $77.7 million. The Series 2014 bonds are payable at varying dates through July 2036 at rates varying from 2.0% to 5.0%. The proceeds from Series 2014 bonds were used to advance refund Langone Hospitals' outstanding indebtedness on its Series 2007B bonds.

c. In 2015, Langone Hospitals issued through DASNY, Series 2014 S2 bonds totaling $117.3 million. The Series 2014 S2 bonds are payable at varying dates through July 2035 at rates varying from 3.75% to 4.95%. The proceeds from Series 2014 S2 bonds was used to advance refund Langone Hospitals' outstanding indebtedness on its Series 2007A bonds.

d. In 2012, Winthrop issued its Series 2012 Bonds totaling $130.2 million through NCLEAC. The Series 2012 bonds are payable at varying dates through July 2042 at rates from 3.0% to 5.0%. The proceeds from Series 2012 bonds were used to advance refund its DASNY Series 2001A and 2003A Revenue Bonds and to raise funds for the construction of a new research building.

e. In 2014, Winthrop issued its Series 2014 Bonds totaling $39.8 million through NCLEAC. The Series 2014 bonds are payable at varying dates through July 2036 at a fixed rate of 3.0%. The proceeds from Series 2014 bonds were used for additional construction related to the new research institute a well as various information technology projects.

f. In 2012, Langone Hospitals issued Series 2012A taxable bonds totaling $250.0 million. The Series 2012A bonds required annual interest payments through July 2042 at a fixed rate of 4.4%. Principal on this bond is payable in full in 2042. The proceeds of the Series 2012A bonds are to be used to pay the costs of various construction, renovation and equipment projects, repay certain outstanding lines of credit and for working capital and other eligible corporate purposes.

g. In 2013, Langone Hospitals issued Series 2013A taxable bonds totaling $350.0 million. The Series 2013A bonds required annual interest payments through July 2043 at a fixed rate of 5.75%. Principal on this bond is payable in full in 2043. The proceeds of the Series 2013A bonds are to be used to pay the costs of various construction, renovation and equipment projects, repay certain outstanding lines of credit and for working capital and other eligible corporate purposes.

h. In 2014, Langone Hospitals issued Series 2014A Taxable Bonds totaling $300.0 million. The Series 2014 Taxable bonds require annual interest payments through July 2044 at a fixed rate of 4.78%. Principle on this bond is payable in full in 2044. The proceeds of the Series 2014 Taxable Bonds are to be used to pay the costs of various construction, renovation and equipment projects, repay certain outstanding lines of credits and for working capital and other eligible corporate purposes.

i. In 2017, Langone Hospitals issued Series 2017A Taxable Bonds totaling $600.0 million. The Series 2017A taxable bonds are payable at varying dates through August 2047 at fixed rates varying from 4.17% to 4.37%. The proceeds of the Series 2017A bonds were used to repay a bank loan and certain outstanding lines of credit, as well as to pay the costs of various construction, renovation and equipment projects, and for working capital and other eligible corporate purposes.

j. At August 31, 2019, Langone Hospitals has three unsecured lines of credit totaling $600.0 million which expire from September 2020 to May 2022. The interest is accrued for all three lines of credit based on London Interbank Offered Rate (LIBOR) rates plus 60 basis points.

k. In 2013, WUHSC refinanced a mortgage and commercial loan of Winthrop totaling $40.0 million. The mortgage loan matures in December 2023 and bears a fixed interest rate of 3.56%. In 2016, WUHSC financed the acquisition of an office building through a mortgage loan $1.5 million. The mortgage loan matures in May 1, 2026 and bears a fixed interest rate of 2.89%.

l. In 2014, Winthrop entered into a commercial loan agreement with a financial institution for capital construction purposes totaling $20.3 million. The loan matures in August 2024 and bears a fixed interest rate of 4.3%.

m. Langone Hospitals has several capital leases and loan agreements under which it can purchase various capital equipment. The agreements have interest rates and imputed interest rates varying from 1.4% through 13.9%.

In conjunction with the former and current debt agreements, Langone Hospitals has pledged as collateral various types of assets, which include an interest in Langone Hospitals' property, plant and equipment, gross receipts and limitations on the use of certain assets, including the transfer of assets to entities outside Langone Hospitals. Under the terms of the various agreements listed above, Langone Hospitals is required to maintain certain financial ratios. Compliance with these financial covenants is measured on a fiscal year basis only. Langone Hospitals' most restrictive covenants are meeting minimum requirements for debt service coverage ratio, days cash on hand and a cushion ratio. During 2019 and 2018, Langone Hospitals was in compliance with all financial ratio covenants.

Principal payments on long-term debt and capital leases in future fiscal years are as follows:

(in thousands)	**Debt and Other**	**Capital Leases**	**Total**
2020	$ 27,625	$ 36,859	$ 64,484
2021	62,207	32,313	94,520
2022	338,705	28,650	367,355
2023	30,581	28,881	59,462
2024	28,721	4,109	32,830
Thereafter	1,838,506	6,291	1,844,797
Total principal payments	2,326,345	137,102	2,463,447
Unamortized premiums and discounts, net	46,735	-	46,735
Deferred financing fees	(9,775)	-	(9,775)
Less: Imputed interest	-	(12,108)	(12,108)
Total Debt	$ 2,363,305	$ 124,994	$ 2,488,299

8. Professional Liabilities

Langone Hospitals' professional liabilities are reported on a discounted basis and comprise estimates for known reported losses and loss expenses plus a provision for losses incurred but not reported. Losses are actuarially determined and are based on the loss experience of the insured. In management's opinion, recorded reserves for both self-insured and commercially insured exposures are adequate to cover the ultimate net cost of losses incurred to date; however, the provision is based on estimates and may ultimately be settled for a significantly greater or lesser amount.

Professional liabilities recorded on the consolidated balance sheets as of August 31 are as follows:

(in thousands)	**2019**	**2018**
CCC550 profesional liabilities [(a)]	$ 545,627	$ 453,472
Commercially insured liabilities [(b)]	104,063	117,049
Self-insured liabilities [(c)]	67,591	70,201
Total professional liabilities	$ 717,281	$ 640,722

a. Langone Hospitals has been self-insured for professional liabilities since 2005 through its wholly owned, segregated cell captive company, CCC550, which provides coverage on an occurrence basis (Cells 1, 2 and 3).

   CCC550 also provides insurance coverage to certain voluntary attending physicians ("VAPs") servicing NYUGSoM and Langone Hospitals as well as other non-employed physicians. The cost of this insurance coverage is the responsibility of such physicians. For the years ended August 31, 2019 and 2018, CCC550 recorded revenue for insurance premiums earned of $97.1 million and $115.5 million, respectively, related to these policies.

   During the year ended August 31, 2017, CCC550 activated Cell 3 in order to provide professional and general liability insurance coverage to Winthrop and certain of its employed physicians (on an occurrence basis starting July 1, 2017). During the year ended August 31, 2019, all VAPs servicing Winthrop with primary coverage were taken out of Cell 3 and placed into Cell 1. As of August 31, 2019, Cell 3 only provides coverage to Winthrop physicians.

   CCC550 has cash and cash equivalents and investments totaling $609.7 million and $467.2 million at August 31, 2019 and 2018, to fund related obligations, respectively. CCC550 has total obligations for insurance exposures of $545.6 million and $453.5 million as of August 31, 2019 and 2018, respectively. Including investment assets, CCC550 has total assets of $809.7 million and $660.4 million at August 31, 2019 and 2018, respectively. Including obligations for insurance exposures, CCC550 has total liabilities of $689.1 million and $596.0 million at August 31, 2019 and 2018, respectively. After eliminating entries, total liabilities and net assets on the consolidated balance sheets relating to CCC550 are $530.6 million and $478.2 million at August 31, 2019 and 2018, respectively.

b. Commercially insured liabilities primarily relate to policies purchased by Brooklyn and Winthrop (for certain of its physicians) covering periods prior to October 1, 2016 and July 1, 2017, respectively. Langone Hospitals recorded a corresponding insurance recovery receivable for claims covered by these policies on the consolidated balance sheet.

c. Winthrop is self-insured for professional liabilities for all claims occurring before July 1, 2017 and has designated funds in a revocable trust for satisfaction of claims and expenses (Note 3).

In October 2018, Langone Hospitals received cash and recorded revenue of $102.4 million resulting from the closing of a sale of Medical Liability Mutual Insurance Company ("MLMIC") to National Indemnity Company, as subsidiary of Berkshire Hathaway. Brooklyn and Winthrop were holders of various professional liability insurance policies from MLMIC and in order to complete the demutualization, policy holders received a payout of 1.9 times the amount paid in premiums during the three-year period leading up to July 2016, when the MLMIC board approved the sale. Langone Hospitals recorded the income within other revenue on the consolidated statement of operations.

9. Pension and Postretirement Benefit Plans

Substantially all of Langone Hospitals employees are covered by retirement plans. These plans include various defined contribution plans, defined benefit plans and multi-employer plans for both pension and postretirement benefits.

Defined Contribution Pension Plans
Langone Hospitals contributes to its defined contribution plans based on rates required by union or other contractual arrangements. Expenses related to Langone Hospitals' defined contribution plans are $55.8 million and $43.8 million for the years ended August 31, 2019 and 2018, respectively, and are reflected in employee benefits expense on the consolidated statements of operations.

Defined Benefit Pension Plans
Langone Hospitals has three defined benefit pension plans: a legacy Langone Hospitals plan, a Brooklyn plan and a Winthrop plan. The legacy Langone Hospitals plan and the Winthrop plan were frozen as of June 30, 2000, and December 31, 2008 respectively and are no longer available to any new participants. The Brooklyn plan was frozen as of July 1, 2006 and is no longer available to new participants with the exception of certain nurses. Participants of the plans as of those dates continue to accrue benefits.

Contributions to the three defined benefit plans are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Contributions to the defined benefit plans are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 plus such additional amounts as Langone Hospitals (the plans' sponsor) may deem appropriate, from time to time. Pension benefits under legacy Langone Hospitals plan and the Brooklyn plan are based on participants' final average compensation levels and years of service. Benefits under the Winthrop plan are based on participants' career average compensation and years of service.

Defined Benefit Postretirement Plans
Langone Hospitals' health and welfare plans provide certain health care and life insurance benefits for eligible retired employees through multi-employer plans or its Langone Hospitals-sponsored defined benefit plan. The cost related to the plans are accrued during the period the employees provide service to Langone Hospitals.

The following tables provide information with respect to Langone Hospitals' defined benefit pension and postretirement benefit plans for the years ended August 31:

Plans' Funded Status

(in thousands)	Defined benefit pension plans 2019	Defined benefit pension plans 2018	Defined benefit postretirement plans 2019	Defined benefit postretirement plans 2018
Change in benefit obligation				
Benefit obligation, beginning of year	$ 1,652,374	$ 1,617,779	$ 82,119	$ 82,796
Service cost	34,396	36,232	1,846	1,921
Interest cost	66,273	56,540	3,284	2,868
Actuarial loss (gain)	329,600	(2,975)	18,850	(3,853)
Benefits paid	(59,750)	(55,202)	(3,546)	(2,836)
Participant contributions	-	-	869	997
Retiree drug subsidy receipts	-	-	-	226
Benefit obligation, end of year	2,022,893	1,652,374	103,422	82,119
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	1,267,870	1,198,044	-	-
Actual return on plan assets	48,342	81,028	-	-
Employer contributions	30,483	44,000	2,677	1,613
Benefits paid	(59,750)	(55,202)	(3,546)	(2,610)
Participant contributions	-	-	869	997
Fair value of plan assets, end of year	1,286,945	1,267,870	-	-
Accrued pension liabilities	$ 735,948	$ 384,504	$ 103,422	$ 82,119
Benefit obligation range of assumptions as of August 31				
Discount rate	3.08% - 3.21%	4.27% - 4.34%	3.13%	4.30%
Rate of increase in compensation levels	3.00% - 3.50%	3.00% - 5.25%	N/A	N/A

Net Periodic Benefit Cost

(in thousands)	Defined benefit pension plans 2019	Defined benefit pension plans 2018	Defined benefit postretirement plans 2019	Defined benefit postretirement plans 2018
Components of net periodic benefit cost				
Operating expense - Service cost	$ 34,396	$ 36,232	$ 1,846	$ 1,921
Nonoperating expense				
Interest cost	66,273	56,540	3,284	2,868
Expected return on plan assets	(91,713)	(86,768)	-	-
Amortization of prior service cost	-	-	(74)	(74)
Amortization of actuarial loss	9,147	12,385	320	752
Total nonoperating expense	(16,293)	(17,843)	3,530	3,546
Net periodic benefit cost	$ 18,103	$ 18,389	$ 5,376	$ 5,467
Other changes recognized in net assets without donor restriction				
Actuarial net loss (gain) arising during period	$ 372,973	$ 2,765	$ 18,850	$ (3,853)
Amortization of prior service cost	-	-	74	74
Amortization of actuarial loss	(9,147)	(12,385)	(320)	(752)
Total recognized in nonoperating activities	$ 363,826	$ (9,620)	$ 18,604	$ (4,531)
Net periodic benefit cost range of assumptions				
Discount rate	4.00-4.34%	4.15% - 4.29%	3.13%	4.03 - 4.15%
Rate of increase in compensation levels	3.00 % - 4.00%	3.00 % - 4.00%	N/A	N/A
Expected long-term rate of return on plan assets	7.00% - 7.75%	7.00% - 7.75%	N/A	N/A
Initial health-care cost trend	N/A - OPEB Only	N/A - OPEB Only	5.25%-7.25%	5.50%-7.50%
Ultimate retiree health-care cost trend	N/A - OPEB Only	N/A - OPEB Only	4.50%	4.50%
Year ultimate trend rate is achieved	N/A - OPEB Only	N/A - OPEB Only	2024 & 2031	2024 & 2031

The accumulated benefit obligation for the pension plans was $1.9 billion and $1.6 billion at August 31, 2019 and 2018, respectively.

Amounts not yet reflected in net periodic benefit cost and included in net assets without donor restriction for the defined benefit pension plans and postretirement plans totaled $530.5 million and $148.1 million for the years ended August 31, 2019 and 2018, respectively.

Amounts in net assets without donor restriction expected to be recognized in net periodic pension cost in the next fiscal year for the defined benefit pension plans totaled $23.1 million and $9.4 million for the years ended August 31, 2019 and 2018, respectively. Amounts in net assets without donor restriction expected to be recognized in net periodic pension cost in the next fiscal year for postretirement plan totaled $1.0 million and $13.1 million for the years ended August 31, 2019 and 2018, respectively.

In 2019 and 2018, the effect of a 1% change in the health care cost trend rate related to the postretirement plan is as follows:

	2019		2018	
(in thousands)	**1% Increase**	**1% Decrease**	**1% Increase**	**1% Decrease**
Effect on net periodic benefit cost	$ 1,132	$ (833)	$ 1,116	$ (816)
Effect on postretirement benefit obligation	18,823	(14,010)	15,334	(11,247)

Plan Assets

Langone Hospitals' defined benefit postretirement plan does not have any plan assets.

Langone Hospitals' valuation methods and assumptions for determining the fair value of the pension assets are consistent with those described in Note 1. The following tables set forth by level, within the fair value hierarchy, the Plans' investments at fair value as of August 31, 2019 and 2018:

	2019			
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash equivalents	$ 21,433	$ -	$ -	$ 21,433
Fixed income	378,595	153,865	-	532,460
Equity	423,244	-	-	423,244
International equity fund	233,047	-	-	233,047
Total	$ 1,056,319	$ 153,865	$ -	$ 1,210,184
Alternative investments measured at NAV as a practical expedient				76,761
				$ 1,286,945

	2018			
	Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash equivalents	$ 9,814	$ -	$ -	$ 9,814
Fixed income	315,324	102,430	-	417,754
Equity	478,765	-	-	478,765
International equity fund	267,836	-	-	267,836
Total	$ 1,071,739	$ 102,430	$ -	1,174,169
Alternative investments measured at NAV as a practical expedient				93,701
				$ 1,267,870

The plans' investment objectives seek a positive long-term total rate of return after inflation to meet Langone Hospitals' current and future plan obligations. Asset allocations for the plan combines tested theory and informed market judgments to balance investment risks with the need for high returns. Langone Hospitals' target asset allocations at the funded level are 55-70% in equity securities and 30-45% in fixed income securities.

The expected long-term rate of return assumption is determined by adding expected inflation to expected long-term real returns of various asset classes, weighting the asset class returns by the plans' investment in each class, and taking into account expected volatility and correlation between the returns of various asset classes. Langone Hospitals' management believes 7.0-7.75% is reasonable long-term rates of return on plan assets for 2019 and will continue to evaluate the actuarial assumptions and adjust the assumptions as necessary.

Contributions
Annual contributions to the defined benefit pension plans are determined based upon calculations prepared by the Plans' actuaries. Expected contributions for fiscal year 2020 are $82.6 million.

Benefit Payments
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ending August 31	Defined benefit pension plans	Defined benefit postretirement plans
2020	$ 63,748	$ 3,287
2021	67,940	3,555
2022	72,192	3,909
2023	77,257	4,271
2024	82,113	4,606
2025-2029	476,805	28,672

Multi-employer Plans
Langone Hospitals participates in multi-employer pension and postretirement plans. Langone Hospitals makes cash contributions to these plans under the terms of collective-bargaining agreements that cover its union employees based on a fixed rate and hours worked per week by the covered employees. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers and (3) if Langone Hospitals chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Langone Hospitals does not have a minimum funding requirement for its multi-employer retirement plans.

Langone Hospitals expenses for the multi-employer retirement plans noted in the table below are as follows:

		2019		2018
1199 SEIU Health Care Employees Health & Welfare Fund [(a)]	$	113,164	$	125,536
1199 SEIU Health Care Employees Pension Fund		50,557		41,391
United Federation of Teachers Welfare Fund [(b)]		19,171		15,980
Local 810 Health & Welfare Fund [(a)]		4,606		4,344
Local 810 United Wire, Metal & Machine Pension Fund		1,917		1,958
	$	189,415	$	189,209

(a) These benefit funds provide medical benefits (health, dental, prescription, vision) for active employees and retirees. Eligibility for benefit coverage level and type is dependent upon their status as an active employee or retiree.

(b) The benefit funds provide health and welfare and related benefits for the registered nurses on whose behalf contributions are made.

The Pension Protection Act (PPA) zone status indicates the plan's funded status of either at least 80% funded (green) or less than 80% funded (yellow or red). A zone status of red requires the plan sponsor to implement a Funding Improvement Plan (FIP) or Rehabilitation Plan (RP). The following table includes information for related pension funds for the plan years ended December 31, 2018 and December 31, 2017:

Pension Plan Name	EIN/Pension Plan Number	Pension Protection Act Zone Status 2018	Pension Protection Act Zone Status 2017	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
1199 Pension Fund	13-3604862/001	Green	Green	N/A	No	September 2021
Local 810 United Wire Pension Fund	13-6596940/001	Red	Red	Yes	Yes	June 2024

Langone Hospitals' contributions represent greater than 5% of total plan contributions of both plans, based on the most recent Form 5500s available.

10. Functional Expenses

The consolidated statement of operations reports certain expense categories that are attributable to both health care related services and general and administrative functions. Therefore, the natural expenses require allocation on a reasonable basis across functional expense categories. Salaries and wages are allocated based on a percent-to-total of health care related services salaries and general and administrative salaries. Expenses that can be identified with specific health care related services are charged directly. Other expenses including depreciation, amortization and interest, are allocated by various statistical bases. Expenses by functional and natural classification are as follows for the years ended August 31, 2019 and 2018:

(in thousands)	2019		
	Health Care Related Services	**General and administrative**	**Total**
Salaries and wages	$ 1,762,063	$ 302,897	$ 2,064,960
Employee benefits	563,630	115,913	679,543
Supplies and other	2,126,572	804,905	2,931,477
Depreciation and amortization	371,345	9,091	380,436
Interest	99,745	1,961	101,706
Total expenses	4,923,355	1,234,767	6,158,122
Mission based payment to NYUGSoM	50,000	-	50,000
Other components of net periodic benefit cost	(11,233)	(1,530)	(12,763)
Total	$ 4,962,122	$ 1,233,237	$ 6,195,359

	2018		
	Health Care Related Services	**General and administrative**	**Total**
Salaries and wages	$ 1,850,904	$ 318,169	$ 2,169,073
Employee benefits	554,346	114,004	668,350
Supplies and other	1,907,084	721,830	2,628,914
Depreciation and amortization	298,452	7,307	305,759
Interest	84,492	1,661	86,153
Total expenses	4,695,278	1,162,971	5,858,249
Mission based payment to NYUGSoM	50,000	-	50,000
Other components of net periodic benefit cost	(12,574)	(1,724)	(14,298)
Total	$ 4,732,704	$ 1,161,247	$ 5,893,951

11. Related Organizations

Langone Hospitals shares various services with the University, NYUGSoM and the Health System. The due from (to) related organizations balances at August 31, 2019 and 2018 consists of the following:

(in thousands)		2019		2018
Due from Health System and other affiliates	$	6,178	$	17,234
Due from NYUGSoM		33,886		-
Due from related organizations, current	$	40,064	$	17,234
Due from NYUGSoM	$	9,500	$	9,500
Due from Health System		-		47,920
Due from related organizations, long-term	$	9,500	$	57,420
Due to University	$	12,765	$	8,003
Due to Health System and other affiliates		27,596		6,891
Due to NYUGSoM		13,120		19,569
Due to related organizations, current	$	53,481	$	34,463
Due to Health System	$	-	$	52,440
Due to related organizations, long term	$	-	$	52,440

Prior to the Merger (Note 1), as part of the affiliation agreement between the Health System and Winthrop, the Health System agreed to provide at least $100 million of funding to Winthrop to construct projects on the campuses of Winthrop and its subsidiaries. At August 31, 2018, $0.5 million had been funded. During the year ended August 31, 2019, the loan was forgiven when the Merger was implemented, in accordance with the terms of the Affiliation Agreement.

Additionally, in September and October 2017, the parties entered into two loans under which Langone Hospitals agreed to loan Winthrop up to $48.1 million and $45.0 million, respectively, for equipment purchases, renovations, electronic medical record implementation and IT integration. The interest rate on these loans was based on LIBOR plus 65 basis points. As of August 31, 2018, Langone Hospitals had advanced the Health System $47.9 million on these commitments from proceeds from draws on the lines of credit and working capital. Similar to the funding under the affiliation agreement, both loans were forgiven with the implementation of the Merger in August 2019.

During the years ended August 31, 2019 and 2018, Langone Hospitals' supplies and other expenses on the consolidated statements of operations include $952.4 million and $744.3 million, respectively, of expenses for shared services allocated from NYUGSoM and other programmatic support provided to NYUGSoM. Langone Hospitals' also recognized $36.0 million and $38.4 million in operating revenues for shared services received from NYUGSoM for the years ended August 31 2019 and 2018, respectively.

In addition, Langone Hospitals transferred $50.0 million in both 2019 and 2018, to NYUGSoM to support certain joint strategic programs that are expected to promote the common missions of Langone Hospitals and NYUGSoM, respectively. This amount is included as an expense in the other items section in the consolidated statements of operations.

Langone Hospitals recorded equity transfers during the years ended August 31 2019 and 2018 as follows:

(in thousands)	2019	2018
Equity transfer to NYUSoM	$ (20,400)	$ (139,063)
Equity transfer from Health System and other affiliates	47,425	4,795
	$ 27,025	$ (134,268)

During the year ended August 31, 2019, the Health System transferred proceeds from the sale of certain affiliated entity assets to Langone Hospitals in satisfaction of a portion of its intercompany balance. During the year ended August 31, 2018, NYUGSoM transferred property to Langone Hospitals to satisfy a portion of its intercompany balance. Langone Hospitals recorded the difference between the estimated fair value of the property and the net book value as an equity transfer to NYUGSoM which totaled $139.1 million.

12. Commitments and Contingencies

Litigation

Langone Hospitals is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. Management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on Langone Hospitals' consolidated balance sheet.

Operating Leases

Future minimum lease payments under noncancelable operating leases with initial or remaining terms of one years or more at August 31, 2019 consisted of the following:

(in thousands)	
2020	$ 63,123
2021	56,282
2022	45,311
2023	40,155
2024	39,882
Thereafter	1,144,366

Total rent expense for 2019 and 2018 was $95.7 million and $93.9 million, respectively.

Other

Langone Hospitals provides emergency department ("ED") services at the site of the former Long Island College Hospital ED pursuant to an agreement with the State University of New York ("SUNY") and a real estate development company (the "Company"). Pursuant to the agreement with SUNY and the Company, following demolition and remediation of adjacent premises, SUNY will deed the cleared site to Langone Hospitals at no cost and Langone Hospitals will construct on the site a four-story medical services building including a freestanding ED and other medical services. As of August 31, 2019, demolition is substantially complete and Langone Hospitals expects the property transfer to occur in 2020 and anticipates that significant construction will begin thereafter.

Langone Hospitals, excluding Winthrop, is self-insured for workers' compensation benefits. In connection with being self-insured, Langone Hospitals has stand-by letters of credit aggregating approximately $42.7 million and $31.6 million at August 31 2019 and 2018, respectively.

Winthrop has workers' compensation insurance coverage (written on an occurrence basis) through a third party insurer in effect for the years ended August 31, 2019 and 2018, for which it recorded an estimated liability and corresponding insurance recovery of $21.4 million and $21.6 million as of August 31, 2019 and 2018, respectively, which are included in other assets and other liabilities on the consolidated balance sheet.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at August 31, 2019 and 2018:

(in thousands)	2019	2018
Contributions and earnings for operating purposes	$ 47,582	$ 80,013
Contributions for building and equipment	33,590	18,702
Disaster recovery award for future mitigation (Note 15)	4,947	25,113
Donor-restricted endowment funds	21,048	20,897
Total	$ 107,167	$ 144,725

Donor-restricted endowment funds are included in long-term investments on the consolidated balance sheet, which have fair values of $121.1 million and $46.9 million at August 31, 2019 and 2018, respectively.

14. Endowments

Langone Hospitals' portion of the University's endowment consists of approximately 55 individual funds established for a variety of purposes. The endowment includes both donor restricted endowment funds and funds designated by management to function as endowments, including Winthrop's donor-restricted endowment gifts and certain donor-restricted contributions held in a separate pooled investment account As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including funds designated by management to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The fair value of Langone Hospitals' endowments consisted of the following at August 31, 2019 and 2018:

(in thousands)	August 31, 2019 Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Long-term investments	$ 85,764	$ 35,320	$ 121,084

	August 31, 2018 Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Long-term investments	$ 12,528	$ 34,387	$ 46,915

In 2018, Langone Hospitals released $8.7 millions of net assets with donor restrictions pursuant to a New York State Supreme Court order.

The University Board has interpreted the State of New York's enacted version of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the University (and therefore, Langone Hospitals), absent of explicit donor stipulations to the contrary, to act in good faith and with care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds. This includes taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purpose for which it was donated. The net assets without donor restriction portion of the endowment includes certain funds which have been invested by management to function as a fund of permanent duration (quasi-endowment).

15. Superstorm Sandy

On October 29, 2012, Superstorm Sandy struck New York City causing widespread damage to NYU Langone Health's main campus facilities at First Avenue in Manhattan. NYU Langone Health incurred business interruption losses during the period that facilities were shut down or being repaired and incurred (and continues to incur) costs to replace and repair damage or demolish properties.

Commercial Insurance

NYU Langone Health had insurance policies in effect at the time of Superstorm Sandy for business interruption, property, casualty, and other insurance coverage subject to various limitations and deductibles. The University, on behalf of NYU Langone Health has initiated lawsuits to recover additional insurance proceeds but the ultimate outcome cannot be determined at this time and therefore, no revenue has been recorded for the years ended August 31, 2019 and 2018.

Federal Disaster Recovery Assistance

The Federal Emergency Management Agency ("FEMA") committed significant aid to NYU Langone Health to assist in the recovery process and to mitigate losses which may occur as a result of future storms. In 2014, FEMA awarded NYU Langone Health a fixed capped Public Assistance Grant (the "Capped Grant") for the performance of an agreed upon scope of work ("SoW") less amounts received from commercial insurance. This agreed upon SoW is for the repair and replacement of eligible damage and for hazard mitigation projects for NYU Langone Health properties. As of August 31, 2019, the total Capped Grant award is $1.1 billion, of which NYU Langone Health will receive 90% ($982.4 million).

Through August 31, 2019, NYU Langone Health has received payments totaling $924.4 million under the Capped Grant, leaving $58.0 million available for drawdown for eligible expenditures (between NYUGSoM and Langone Hospitals). The remaining funds available for drawdown relate to the future mitigation component of the Capped Grant, which was recognized as a donor restricted contribution in fiscal 2014. The net assets are released from restriction as the costs are incurred. For the years ended August 31, 2019 and 2018, Langone Hospitals released $20.1 million and $34.4 million from restriction for hazard mitigation included within net assets released from restrictions for capital purposes on the statement of operations, leaving $5.0 million and $25.1 million in net assets with donor restrictions as of August 31, 2019 and 2018, respectively (Note 13).

16. Subsequent Events

Langone Hospitals performed an evaluation of subsequent events through December 13, 2019, which is the date the consolidated financial statements were issued.

Events Subsequent to Original Issuance of Financial Statements (Unaudited)

In connection with the reissuance of the consolidated financial statements, Langone Hospitals has evaluated subsequent events through January 21, 2020, the date the consolidated financial statements were available to be reissued.

On December 19, 2019, Langone Hospitals entered into a 35 year lease of a building with 265,449 rentable square feet, which is expected to be available for occupancy in 2020. The estimated present value of the lease liability to be recorded under this agreement is approximately $170 million.

Effective December 31, 2019, the Winthrop defined benefit pension and a portion of the Brooklyn defined benefit pension plan were merged into the legacy Langone Hospitals defined benefit pension plan. Additionally, the NYUGSoM defined benefit pension plan was also merged into the legacy Langone Hospitals defined benefit pension plan effective December 31, 2019.

Supplemental Schedules

NYU Langone Hospitals
Consolidating Balance Sheet
August 31, 2019

(in thousands)

	NYU Langone Hospitals	CCC550	Winthrop Subsidiaries	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 785,154	$ -	$ 11,470	$ -	$ 796,624
Short-term Investments	610,855	-	-	-	610,855
Assets limited as to use	14,325	-	-	-	14,325
Patient accounts receivable, net	808,186	-	-	-	808,186
Contribution receivable	28,801	-	-	-	28,801
Insurance receivables - billed	-	196,955	-	(106,225)	90,730
Due from related organizations, net	40,064	-	7,037	(7,037)	40,064
Inventories	114,956	-	-	-	114,956
Other current assets	185,930	3,039	350	(819)	188,500
Total current assets	2,588,271	199,994	18,857	(114,081)	2,693,041
Long-term Investments	121,084	-	-	-	121,084
Assets limited as to use, less current portion	119,006	609,708	-	-	728,714
Contributions receivable, less current portion	17,543	-	-	-	17,543
Professional liabilities insurance recoveries receivable	104,063	-	-	-	104,063
Other assets	212,199	-	2,413	(125,553)	89,059
Due from related organizations	9,500	-	-	-	9,500
Property, plant and equipment, net	4,577,427	-	65,921	-	4,643,348
Total assets	$ 7,749,093	$ 809,702	$ 87,191	$ (239,634)	$ 8,406,352
Liabilities and net assets					
Current liabilities					
Current portion of long-term debt	$ 58,135	$ -	$ 4,287	$ -	$ 62,422
Accounts payable and accrued expenses	382,719	5,341	397	(12)	388,445
Accrued salaries and related liabilities	279,918	-	-	-	279,918
Accrued interest payable	15,483	-	-	-	15,483
Current portion of accrued postretirement liabilities	2,913	-	-	-	2,913
Current portion of professional liabilities	7,244	-	-	-	7,244
Deferred revenue	69,418	138,088	-	(51,156)	156,350
Due to related organizations, net	53,481	-	807	(807)	53,481
Other current liabilities	125,537	-	-	(28,126)	97,411
Total current liabilities	994,848	143,429	5,491	(80,101)	1,063,667
Long-term debt, less current portion	2,409,872	-	16,005	-	2,425,877
Professional liabilities	164,410	545,627	-	-	710,037
Accrued pension liabilities	735,948	-	-	-	735,948
Accrued postretirement liabilities, less current portion	100,509	-	-	-	100,509
Due to related organizations, less current portion	7,037	-	-	(7,037)	-
Other liabilities	328,265	-	5,931	(26,943)	307,253
Total liabilities	4,740,889	689,056	27,427	(114,081)	5,343,291
Net assets					
Net assets without donor restrictions	2,901,037	120,646	59,764	(125,553)	2,955,894
Net assets with donor restrictions	107,167	-	-	-	107,167
Total net assets	3,008,204	120,646	59,764	(125,553)	3,063,061
Total liabilities and net assets	$ 7,749,093	$ 809,702	$ 87,191	$ (239,634)	$ 8,406,352

The accompanying note is an integral part of these supplemental schedules.

NYU Langone Hospitals
Consolidating Balance Sheet
August 31, 2018

(in thousands)

	NYU Langone Hospitals	CCC550	Winthrop Subsidiaries	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 383,802	$ -	$ 11,274	$ -	$ 395,076
Short-term Investments	576,294	-	-	-	576,294
Assets limited as to use	22,196	-	-	-	22,196
Patient accounts receivable, net	765,682	-	-	-	765,682
Contribution receivable	56,308	-	-	-	56,308
Insurance receivables - billed	-	190,955	-	(117,831)	73,124
Due from related organizations, net	17,234	-	8,513	(8,513)	17,234
Inventories	99,040	-	-	-	99,040
Other current assets	152,226	2,285	398	(329)	154,580
Total current assets	2,072,782	193,240	20,185	(126,673)	2,159,534
Long-term Investments	46,915	-	-	-	46,915
Assets limited as to use, less current portion	112,573	467,206	-	-	579,779
Contributions receivable, less current portion	24,565	-	-	-	24,565
Professional liabilities insurance recoveries receivable	117,049	-	-	-	117,049
Other assets	165,048	-	2,414	(69,120)	98,342
Due from related organizations	57,420	-	-	-	57,420
Property, plant and equipment, net	4,484,450	-	60,559	-	4,545,009
Total assets	$ 7,080,802	$ 660,446	$ 83,158	$ (195,793)	$ 7,628,613
Liabilities and net assets					
Current liabilities					
Current portion of long-term debt	$ 84,823	$ -	4,138	$ -	$ 88,961
Accounts payable and accrued expenses	400,973	223	1,047	-	402,243
Accrued salaries and related liabilities	204,141	-	-	-	204,141
Accrued interest payable	15,902	-	-	-	15,902
Current portion of accrued postretirement liabilities	2,525	-	-	-	2,525
Current portion of professional liabilities	14,871	-	-	-	14,871
Deferred revenue	44,018	139,317	-	(83,774)	99,561
Due to related organizations, net	35,939	-	329	(1,805)	34,463
Other current liabilities	99,317	3,000	-	-	102,317
Total current liabilities	902,509	142,540	5,514	(85,579)	964,984
Long-term debt, less current portion	2,389,037	-	20,292	-	2,409,329
Professional liabilities, less current portion	172,379	453,472	-	-	625,851
Accrued pension liabilities	384,504	-	-	-	384,504
Accrued postretirement liabilities, less current portion	79,290	-	-	-	79,290
Due to related organizations, less current portion	59,477	-	-	(7,037)	52,440
Other liabilities	306,999	-	547	(34,056)	273,490
Total liabilities	4,294,195	596,012	26,353	(126,672)	4,789,888
Net assets					
Net assets without donor restrictions	2,641,879	64,434	56,805	(69,121)	2,693,997
Net assets with donor restrictions	144,728	-	-	-	144,728
Total net assets	2,786,607	64,434	56,805	(69,121)	2,838,725
Total liabilities and net assets	$ 7,080,802	$ 660,446	$ 83,158	$ (195,793)	$ 7,628,613

The accompanying note is an integral part of these supplemental schedules.

NYU Langone Hospitals
Consolidating Statement of Operations
Year Ended August 31, 2019

(in thousands)

	NYU Langone Hospitals	CCC550	Winthrop Subsidiaries	Eliminations	Total
Operating revenues and other support					
Net patient service revenue	$ 6,087,828	$ -	$ -	$ -	$ 6,087,828
Grants and sponsored programs	29,686	-	-	-	29,686
Insurance premiums earned	-	164,033	-	(66,916)	97,117
Contributions	6,571	-	-	-	6,571
Endowment distribution and return on short-term investments	32,956	36,728	-	-	69,684
Other revenue	485,289	-	12,260	(67,791)	429,758
Net assets released from restrictions for operating purposes	43,685	-	-	-	43,685
Total operating revenues and other support	6,686,015	200,761	12,260	(134,707)	6,764,329
Operating expenses					
Salaries and wages	2,064,187	-	773	-	2,064,960
Employee benefits	679,391	-	152	-	679,543
Supplies and other	2,859,923	144,549	5,500	(78,495)	2,931,477
Depreciation and amortization	378,070	-	2,366	-	380,436
Interest	100,919	-	787	-	101,706
Total operating expenses	6,082,490	144,549	9,578	(78,495)	6,158,122
Gain from operations	603,525	56,212	2,682	(56,212)	606,207
Other items					
Other component of pension and postretirement costs	12,763	-	-	-	12,763
Investment return in excess of endowment distribution, net	2,032	-	-	-	2,032
Mission based payment to NYUGSoM	(50,000)	-	-	-	(50,000)
Grants for capital acquisitions	6,134	-	-	-	6,134
Other	3,689	-	-	(222)	3,467
Excess of revenue over expenses	578,143	56,212	2,682	(56,434)	580,603
Other changes in net assets without donor restrictions					
Changes in pension and postretirement obligations	(382,430)	-	-	-	(382,430)
Contributions for capital asset acquisitions	1,060	-	-	-	1,060
Equity transfers from related organizations, net	26,746	-	279	-	27,025
Net assets released from restrictions for capital purposes	35,639	-	-	-	35,639
Net increase in net assets without donor restrictions	$ 259,158	$ 56,212	$ 2,961	$ (56,434)	$ 261,897

The accompanying note is an integral part of these supplemental schedules.

NYU Langone Hospitals
Consolidating Statement of Operations
Year Ended August 31, 2018

(in thousands)

	NYU Langone Hospitals	CCC550	Winthrop Subsidiaries	Eliminations	Total
Operating revenues and other support					
Net patient service revenue	$ 5,647,849	$ -	$ -	$ -	$ 5,647,849
Grants and sponsored programs	36,937	-	-	-	36,937
Insurance premiums earned	-	138,230	-	(22,685)	115,545
Contributions	9,326	-	-	-	9,326
Endowment distribution and return on short-term investments	24,030	1,903	-	-	25,933
Other revenue	261,427	-	11,464	(65,589)	207,302
Net assets released from restrictions for operating purposes	12,978	-	-	-	12,978
Total operating revenues and other support	5,992,547	140,133	11,464	(88,274)	6,055,870
Operating expenses					
Salaries and wages	2,168,392	-	681	-	2,169,073
Employee benefits	668,210	-	140	-	668,350
Supplies and other	2,571,930	85,446	5,125	(33,587)	2,628,914
Depreciation and amortization	303,559	-	2,200	-	305,759
Interest	85,206	-	947	-	86,153
Total operating expenses	5,797,297	85,446	9,093	(33,587)	5,858,249
Gain from operations	195,250	54,687	2,371	(54,687)	197,621
Other items					
Other component of pension and postretirement costs	14,298	-	-	-	14,298
Investment return in excess of endowment distribution, net	14,764	-	-	-	14,764
Mission based payment to NYUGSoM	(50,000)	-	-	-	(50,000)
Grants for capital acquisitions	31,077	-	-	-	31,077
Other	148	-	-	(360)	(212)
Excess of revenue over expenses	205,537	54,687	2,371	(55,047)	207,548
Other changes in net assets without donor restrictions					
Changes in pension and postretirement obligations	14,150				14,150
Contributions for capital asset acquisitions	2,311	-	-	-	2,311
Equity transfers to related organizations, net	(134,268)	-	-	-	(134,268)
Net assets released from restrictions for capital purposes	272,238	-	331	-	272,569
Net assets reclassification related to cy-pres	8,692	-	-	-	8,692
Net increase in net assets without donor restrictions	$ 368,660	$ 54,687	$ 2,702	$ (55,047)	$ 371,002

The accompanying note is an integral part of these supplemental schedules.

1. Basis of Presentation – Consolidating Supplemental Information

The consolidating supplemental schedules ("consolidating schedules") presented on pages 39-42 were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating schedules are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies within Langone Hospitals and is not a required part of the consolidated financial statements. The individual companies within Langone Hospitals as presented within the consolidating schedules are disclosed within Note 1 to the consolidated financial statements.

The consolidating financial statements were prepared on an accrual basis of accounting, consistent with the consolidated financial statements (Note 1). All transactions between and amounts due to (from) Langone Hospitals, CCC550 and the Winthrop subsidiaries (WUHSC and WCP) have been eliminated within the consolidating supplemental schedules.