1. Organization and Summary of Significant Accounting Policies

Organization

NYU Hospitals Center ("Hospitals Center") operates the Tisch Hospital, a 705-bed acute care facility and a major center for specialized procedures in cardiovascular services, neurosurgery, cancer treatment, reconstructive surgery and transplantation; NYU Hospital for Joint Diseases, a 190-bed acute care facility specializing in orthopedic, neurologic, and rheumatologic services; and several ambulatory facilities, including the Laura and Isaac Perlmutter Cancer Center, the Ambulatory Care Center, the Center for Musculoskeletal Care and Hassenfeld Children's Center.

In October 2014, the Hospitals Center commenced providing 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 the Hospitals Center at no cost and the Hospitals Center will construct on the site a four-story medical services building including a freestanding ED and other medical services.

The Hospitals Center 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.

CCC550 Insurance, SCC. ("CCC550") is solely owned by the Hospitals Center and provides professional liability insurance to the Hospitals Center and to physicians employed by the NYU School of Medicine ("NYUSoM"). CCC550 is subject to taxation in accordance with section 29 of the Exempt Insurance Act in Barbados.

On April 1, 2015, the Hospitals Center a completed an affiliation agreement with Lutheran Medical Center ("Lutheran"), whereby NYU Langone Health System ("Health System"), a newly-formed not-for-profit corporation, became the sole corporate member of the Hospitals Center and Lutheran ("Affiliation").

Prior to the Affiliation, New York University (the "University") was the sole corporate member of the Hospitals Center. With the closing of the Affiliation, the University became the sole corporate member of the Health System but did not assume any responsibility or liability for the financial obligations of the Health System. The NYU Board of Trustees appoints the members of the Health System Board, who are the same individuals who serve on the Hospitals Center Board and the NYUSoM Advisory Board.

Lutheran is a 450 bed acute care hospital in Brooklyn, New York. Its wholly owned subsidiaries consist of Lutheran Augustana Center for Extended Care and Rehabilitation, a 240 bed skilled nursing facility; Lutheran CHHA, Inc., a certified home health agency; Community Care Organization, Inc., a licensed home care agency; Shore Hill Housing, Sunset Gardens Housing and Harbor Hill Housing, senior housing projects which provide housing and rent subsidies for people meeting requirements defined by the US Department of Housing and Urban Development; and Sunset Bay Community Services, Inc., which provides senior services and day care services. These entities are all Section 501(c)(3) organizations exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and from New York State and City income taxes.

In December 2015, Hospitals Center and Lutheran received a Certificate of Need approval from the New York State Department of Health for a full asset merger, with the Hospitals Center as the successor entity. The merger will become effective upon the receipt of regulatory approvals, which is expected to be completed during fiscal year 2016.

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 the Hospitals Center and CCC550. Accordingly, amounts due (to) from the Hospitals Center and CCC550 and the transactions between the entities have been eliminated in consolidation.

Related Organizations
Transactions among the related organizations in the accompanying consolidated financial statements 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. The amounts due from or to related organizations do not bear interest. Additionally, the Hospitals Center has established guidelines for reimbursement, on a fee-for-service basis, for services provided by either the University, NYUSoM or the Health System.

Cash and Cash Equivalents
The Hospitals Center considers 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, to be cash equivalents. The Hospitals Center maintains its deposits with high credit quality financial institutions. The Hospitals Center 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.

Marketable Securities and Assets Limited as to Use
All of the Hospitals Center marketable securities are held in a pooled investment portfolio maintained by the University. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, based on quoted market prices. The fair value of alternative investments in the pooled investment portfolio is based on values reported by the respective external investment managers, and consists of readily marketable securities but may be less liquid than other investments. Certain securities underlying the alternative instruments are not readily marketable. Although the estimated value is subject to uncertainty and may differ from the value that would have been used had a ready market for the securities existed, management believes that any such difference would not have a material effect on the Hospitals Center's consolidated balance sheets. In addition, a limited number of the investment vehicles included in the alternative instruments have liquidity restrictions which may defer redemption of the investment for a short period of time. The amount of gain or loss associated with these alternative instruments is reflected in the accompanying consolidated financial statements at net asset values. Investments in certain private capital funds are recorded at fair value as of the date of the last portfolio appraisal. The funds are then adjusted for capital contributions and redemptions made between the valuation date and year end.

The Hospitals Center's investment portfolio and assets limited as to use is classified as trading, with unrealized gains and losses included in excess of revenue over expenses.

Gains, losses and investment income are included in the consolidating statements of operations unless their use is temporarily or permanently restricted by donor stipulations.

Assets limited as to use primarily represent externally restricted assets held by trustees under long-term debt agreements, and cash equivalents and fixed income investments held by CCC550, which are restricted for the purposes of paying claims and administrative costs of the captive. Additionally, there are internally restricted assets limited to use funds set aside by the Board over which the Board retains control and may, at its discretion, subsequently use for other purposes.

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. Level 1 assets consist of money market funds, equity securities, some mutual funds, and U.S. Treasury Notes/Bills securities as they are traded in an active market with sufficient volume and frequency of transactions.

Level 2 Financial instruments for which there are inputs, other than the quoted prices in active markets, those are observable either directly or indirectly. The Hospitals Center's Level 2 assets consist of government backed securities. These investments can also be valued by the investment portfolio managers utilizing a portfolio system, which relies on one of the largest pricing services and is used by many mutual funds. The Hospitals Center 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.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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 the 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 the Hospitals Center's assets limited as to use and marketable securities. There have been no changes in valuation methods and assumptions used at August 31, 2015 and 2014.

U.S. Government Obligations, Fixed Income, and Equity Investment Funds
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).

Interest-bearing Cash Equivalents
Consist primarily of U.S. Government debt securities with maturities less than three months from year-end and are Level 1. 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.

Marketable Securities
The Hospitals Center's entire marketable securities balance consists of investments held in the University endowment pool. As the fair value of these assets cannot be corroborated by observable market data as of August 31, 2015 and 2014, it is therefore classified as Level 3.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Inventories
The Hospitals Center's 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.

Deferred Financing Costs
Deferred financing costs represent costs incurred to obtain long-term financing. Amortization of these costs is provided using the effective interest method over the term of the applicable indebtedness. See Note 6 for additional information.

Property, Plant and Equipment
Property, plant and equipment is carried at cost and those acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution. 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.

Land improvement	20 years
Building and building improvement	40 years
Fixed and moveable equipment	3-15 years

Equipment under capital leases is recorded at present value at the inception of the leases and is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. The amortization of assets recorded under capital leases is included in depreciation and amortization expense in the accompanying consolidated statements of operations. When assets are retired or otherwise disposed of, the cost and the related depreciation are reversed from the accounts, and any gain or loss is reflected in current operations. Repairs and maintenance expenditures are expensed as incurred.

Asset Retirement Obligation
The Hospitals Center recorded an asset retirement obligation liability related to the estimated future costs to remediate asbestos. At August 31, 2015 and 2014, this liability was approximately $14.1 million and is included in other liabilities in the consolidated balance sheets.

Net Assets
Temporarily restricted net assets are those whose use by the Hospitals Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospitals Center in perpetuity.

The Hospitals Center prepares its consolidated financial statements focusing on the entity as a whole and requires classification of net assets as unrestricted, temporarily restricted, or permanently restricted, as determined by the existence or absence of restrictions placed on the assets' use by donors or by provision of law. Descriptions of the net assets classifications are as follows:

Permanently Restricted
Net assets include gifts, pledges, trusts, and gains explicitly required by donors to be retained in perpetuity, while allowing the use of the investment return for general or specific purpose, in accordance with donor provisions.

Temporarily Restricted
Net assets include gifts, pledges, trusts, and gains that can be expended, but the donor restrictions have not yet been met. Contributions receivable that do not carry a purpose restriction are deemed to be time restricted. Temporary restrictions are removed either through the passage of time or because certain actions are taken by the Hospitals Center that fulfill the restrictions.

Unrestricted
Unrestricted net assets are the remaining net assets of the Hospitals Center that are used to carry out its mission and are not subject to donor restrictions.

Contributions
Contributions, including unconditional promises to give cash and other assets (pledges), 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 provided. 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 either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met within the same year as received are reflected in temporarily restricted net assets and net assets released from restrictions in the accompanying consolidating financial statements.

During the years ended August 31, 2015 and 2014, the Hospitals Center received contributed securities of $23.4 million and $49.7 million, respectively, which were subsequently liquidated.

Uncompensated Care
As a matter of policy, the Hospitals Center provides significant amounts of partially or totally uncompensated patient care. For accounting purposes, such uncompensated care is treated either as charity care or bad debt expense.

The Hospitals Center's 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 and liquid asset tests. For accounting and disclosure purposes, charity care is reported at cost. Since payment of this difference is not sought, charity care allowances are not reported as revenue. Total forgone charges for charity care totaled $30.1 million and $24.3 million for fiscal years 2015 and 2014. This equated to an approximate cost of $8.6 million and $7.6 million for the years ended August 31, 2015 and 2014, respectively, which is based on a ratio of cost to charges during the year.

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of bad debts and services provided to the uninsured. The funds are distributed to the Hospitals Center based on each hospital's level of bad debt and charity care in relation to all other hospitals. Subsidy payments recognized as revenue amounted to approximately $10.9 million and $8.5 million for 2015 and 2014, respectively, and are included in net patient service revenue in the accompanying consolidated statements of operations.

Patients who do not qualify for sliding scale fees and all uninsured inpatients who do not qualify for Medicaid assistance are billed at the Hospitals Center's full rates. Uncollected balances for these patients are categorized as bad debts. For the years ended August 31, 2015 and 2014, respectively, the Hospitals Center recorded provisions for bad debts of $11.3 million and $11.6 million, respectively.

Performance Indicator
The consolidated statements of operations include excess of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include changes in pension and postretirement obligations, and net assets released from restriction for capital purposes, or for hazard mitigation.

The Hospitals Center differentiates its operating activities through the use of gain from operations as an intermediate measure of operations. For the purposes of display, items which management does not consider to be components of the Hospitals Center's operating activities are excluded from the gain from operations and reported as other items in the consolidated statements of operations. These include impairments of and (losses) gains on disposals of property, plant and equipment, disaster recovery reimbursement for capital, grants for capital asset acquisitions, investment return (less than) in excess of endowment distribution, net, and mission based payments to NYUSoM.

Use of Estimates
The preparation of 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 uncollectable accounts receivable for services to patients, and liabilities, including estimated settlements with third party payors, malpractice insurance liabilities, 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.

New Authoritative Pronouncements
In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The Hospitals Center is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2019.

In April 2015, the FASB issued a standard on Simplifying the Presentation of Debt Issuance Costs. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2016. In fiscal year 2015, the Hospitals Center early adopted this standard, and the updated presentation is reflected in the consolidated balance sheets as of August 31, 2015 and 2014.

In May 2015, the FASB issued guidance about Fair Value Measurement and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This guidance requires entities to present investments that use net asset value (NAV) as a practical expedient for valuation purposes separately from other investments categorized in the fair value hierarchy described in Note 3. The standard is effective for fiscal years beginning after

December 15, 2017. The Hospitals Center is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2019.

Income Taxes

FASB's 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 financial statements. Uncertain income tax positions did not have a significant impact on the Hospitals Center's consolidated financial statements during the years ended August 31, 2015 and 2014.

2. Net Patient Service Revenue, Accounts Receivable and Allowance for Uncollectible Accounts

The Hospitals Center has agreements with third-party payors that provide for payments to the Hospitals Center 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.

Billings related to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances that represent differences between gross charges and the estimated receipts under such programs. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated 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. Patient accounts receivable are also reduced for allowances for uncollectible accounts. The net amounts recorded, related to prior years and changes in estimates, increased the performance indicator by approximately $29.7 million and $17.2 million for 2015 and 2014, respectively.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. The Hospitals Center has implemented a monthly standardized approach to estimate and review the collectability of receivables based on the payor classification and the period from which the receivables have been outstanding. Past due balances over 90 days from the date of billing and over a specified amount are considered delinquent and are reviewed for collectability. Account balances are written off against the allowance when management feels it is probable the receivable will not be recovered. Historical collection and payor reimbursement experience is an integral part of the estimation process related to reserves for doubtful accounts. In addition, the Hospitals Center 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 reserve estimates. The Hospitals Center 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. Revisions in reserve for doubtful accounts estimates are recorded as an adjustment to bad debt expense. The Hospitals Center's allowance for uncollectible accounts has remained consistent as a percentage of accounts receivables net of contractual allowances as of both August 31, 2015 and 2014.

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 ("CMS") 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 years' rates for these payors will continue to be made in the future. Effective July 1, 2008 and January 1, 2009, the NYS DOH updated the data utilized to calculate the NYS DRG service intensity weights ("SIW") in order to utilize more current data in DOH promulgated rates. Effective December 1, 2009, NYS implemented inpatient reimbursement reform. The reform updated the data utilized to calculate the NYS DRG rates and SIW's in order to utilize refined data and more current information in DOH promulgated rates. Similar type outpatient reforms were implemented effective December 1, 2008.

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.

The Hospitals Center 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's payment rates, based on industry-wide and hospital-specific data. Net amounts due to third party payors at August 31, 2015 and 2014 were $65.6 million and $73.8 million, respectively. Additionally, certain payors' payment rates for various years have been appealed by the Hospitals Center. 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.

The Hospitals Center's Medicare cost reports have been audited by the Medical fiscal intermediary through December 31, 2010, however only cost reports through December 31, 2002, and the year ended December 31, 2009 have been finalized, with settlement payments made or received by the Hospitals Center.

Federal and state law requires that hospitals provide emergency services regardless of a patient's ability to pay. In accordance with these laws, the Hospitals Center has implemented a discount

policy and financial aid program that is consistent with the mission, values, and capacity of the Hospitals Center, 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 the Hospitals Center to qualify such patients for charity care. Uncollectible amounts due from such uninsured patients represent the substantial portion of the provision for bad debts reflected in the accompanying consolidated statements of operations. The Hospitals Center records a significant provision for bad debts related to uninsured patients in the period the services are provided. The inpatient and outpatient bad debt reserve rates are further refined on an annual basis.

Patient service revenue, net of contractual allowances and discounts and the provision for bad debts is as follows for the years ended August 31, 2015 and 2014:

(in thousands)	2015	2014
Gross charges	$ 8,509,199	$ 6,705,405
Allowances	(6,043,976)	(4,654,291)
Patient service revenue, net of contractual allowances	2,465,223	2,051,114
Provisions for bad debts	(11,348)	(11,611)
Total net patient service revenue	$ 2,453,875	$ 2,039,503

The Hospitals Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor arrangements. The mix of patient service revenue, net of contractual allowances from patients and third-party payors for the years ended August 31, 2015 and 2014 are as follows:

	2015	2014
Medicare	15 %	17 %
Medicaid	1 %	1 %
Medicare and Medicaid managed care	12 %	11 %
Blue Cross	25 %	24 %
Commercial insurance and managed care	47 %	47 %
	100 %	100 %

The mix of receivables from patients and third-party payors at August 31, 2015 and 2014 are as follows:

	2015	2014
Medicare	10 %	12 %
Medicaid	1 %	1 %
Medicare and Medicaid managed care	18 %	17 %
Blue Cross	21 %	21 %
Commercial insurance and managed care	50 %	49 %
	100 %	100 %

3. Marketable Securities and Assets Limited as to Use

The composition and fair value hierarchy of marketable securities and assets limited as to use measured at fair value on a recurring basis at August 31, 2015 and 2014, is set forth in the following tables:

	August 31, 2015			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Investments in University Endowment pool	$ -	$ -	$ 26,623	$ 26,623
Total marketable securities	$ -	$ -	$ 26,623	26,623
Less: Current portion				(3,710)
Total long term marketable securities				$ 22,913

	August 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets limited as to use				
U.S. Government and other obligations	$ 25,575	$ 6,827	$ -	$ 32,402
Fixed income	559,354	-	-	559,354
Equity	31,866	-	-	31,866
Investments held by CCC550	22,292	298,134	-	320,426
Total noncash assets limited as to use	$ 639,087	$ 304,961	$ -	944,048
Cash and cash equivalents				116,519
Total assets limited as to use				1,060,567
Less: Current portion				(112,780)
Total long term assets limited as to use				$ 947,787

	August 31, 2014			
	Level 1	Level 2	Level 3	Total
Marketable securities				
Investments in University Endowment pool	$ -	$ -	$ 27,818	$ 27,818
Total marketable securities	$ -	$ -	$ 27,818	27,818
Less: Current portion				(3,731)
Total long term marketable securities				$ 24,087

	August 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets limited as to use				
U.S. Government and other obligations	$ 46,159	$ 34,180	$ -	$ 80,339
Fixed income	438,074	-	-	438,074
Equity	18,427	-	-	18,427
Investments held by CCC550	22,984	251,312	-	274,296
Total noncash assets limited as to use	$ 525,644	$ 285,492	$ -	811,136
Cash and cash equivalents				120,410
Total assets limited as to use				931,546
Less: Current portion				(96,308)
Total long term assets limited as to use				$ 835,238

The following table provides a roll forward of the fair value of Level 3 marketable securities and assets limited as to use for the year ended August 31, 2015 and 2014:

(in thousands)	2015	2014
Fair value at beginning of year	$ 27,818	$ 25,739
Realized gains	967	1,170
Unrealized (loss) gains	(751)	2,359
Disposals	(1,411)	(1,450)
Fair value at end of year	$ 26,623	$ 27,818

The Hospitals Center invests in an investment pool maintained by the University which includes University endowment and similar funds. The pool is managed to achieve the maximum prudent long-term return. 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 endowment to support operations (approximately 5.0% in 2015 and 2014) are calculated using the prior year distribution adjusted for the change in the New York Metro Area Consumer Price Index (CPI). This amount, along with interest and dividends earned on short-term investments, is reported as operating revenues in the consolidated statements of operations. Investment return in excess of (less than) the University's approved endowment distribution is reported as other items in the consolidated statements of operations.

Investment return consisted of the following for the years ended August 31, 2015 and 2014:

(in thousands)	2015	2014
Dividends and interest	$ 14,164	$ 12,502
Realized and unrealized (losses) gains, net	(5,931)	18,693
Investment expenses	(79)	(75)
Total investment return, net	$ 8,154	$ 31,120
Endowment distribution and return on short-term investments	$ 17,606	$ 21,194
Investment return less than endowment distribution, net	(8,278)	8,023
Temporarily restricted investment return, net	(133)	2,941
Temporarily restricted appropriation of endowment distribution	(1,041)	(1,038)
Total investment return, net	$ 8,154	$ 31,120

The Hospitals Center's assets limited as to use can be categorized as limited for the following purposes:

(in thousands)	2015	2014
Externally designated		
Assets held under long-term debt agreements (Note 6)		
Construction funds	$ 6,907	$ 34,284
Debt service funds	5,729	6,515
Debt service reserve funds	19,784	39,552
	32,420	80,351
Assets held by CCC550 (Note 7)		
Cash	22,292	22,984
Bond fund	298,134	251,312
	320,426	274,296
Total assets limited as to use- externally designated	352,846	354,647
Assets limited as to use- other restrictions (Note 15)	16,278	64,886
Less: Current portion	(12,557)	(40,796)
Long term portion	$ 356,567	$ 378,737
Total assets limited as to use - board designated	$ 691,443	$ 512,013
Less: Current portion	(100,223)	(55,512)
Long term portion	$ 591,220	$ 456,501

4. 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. Irrevocable trusts are recorded at the point of notification and are recorded as temporarily or permanently restricted net assets as determined by the trust instruments. Estates are estimated and recorded at the conclusion of probate.

The Hospitals Center has received numerous unconditional promises to give and estimates the year of receipt to the extent possible. Contributions receivable are recorded within the accompanying consolidated balance sheets and are recorded net of an allowance for uncollectable pledges of $9.1 million and $7.4 million at August 31, 2015 and 2014, respectively.

The anticipated payments of the receivables are as follows:

(in thousands)	2015	2014
Amounts to be collected in		
Less than one year	$ 82,728	$ 67,904
One to five years	71,287	94,486
More than five years	21,247	26,012
	175,262	188,402
Discount	(8,541)	(6,976)
Allowance for uncollectible amounts	(9,077)	(7,351)
Contributions receivable, net	$ 157,644	$ 174,075

Contributions receivable activity for the years ended August 31, 2015 and 2014 was as follows:

(in thousands)	2015	2014
Contributions receivable at beginning of year, net	$ 174,075	$ 174,652
Add: Discount and allowance for uncollectables	14,328	26,132
Contributions receivable at beginning of year, gross	188,403	200,784
New pledges received (undiscounted)	22,709	53,715
Adjustments and write-offs	(1,773)	(1,252)
Pledge payments received	(34,077)	(64,845)
	175,262	188,402
Deduct discount to present value and allowance for uncollectables	(17,618)	(14,327)
Contributions receivable at end of year, net	$ 157,644	$ 174,075

Conditional promises to give, not included in these financial statements, were $70.9 million and $72.7 million at August 31, 2015 and 2014, respectively.

Expenses related to fundraising activities were $2.4 million and $2.8 million for the years ended August 31, 2015 and 2014, respectively.

5. Property, Plant and Equipment

A summary of property, plant and equipment is as follows at August 31, 2015 and 2014:

	2015	2014
Land and improvements	$ 39,025	$ 39,025
Buildings and improvements	1,778,779	1,561,680
Fixed and movable equipment	535,814	446,902
	2,353,618	2,047,607
Less: Accumulated depreciation	845,909	732,549
	1,507,709	1,315,058
Capital projects in progress	764,183	643,289
Property, plant and equipment, net	$ 2,271,892	$ 1,958,347

Depreciation expense for the years ended August 31, 2015 and 2014 was $113.7 million and $97.2 million, respectively.

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

6. Long-Term Debt

A summary of long-term debt is as follows at August 31:

(in thousands)	2015	2014
Series 2006A [a]	$ 78,195	$ 84,440
Series 2007A [b]	-	141,625
Series 2007B [c]	-	83,780
Series 2011A [d]	121,850	125,205
Series 2014 [c]	77,700	-
Series 2014 S2 [b]	115,075	-
Taxable Series 2012A [e]	250,000	250,000
Taxable Series 2013A [f]	350,000	350,000
Taxable Series 2014A [g]	300,000	-
Bank loan [h]	143,750	148,750
Lines of credit [i]	-	200,000
Capital leases and equipment loans [j]	70,684	55,166
	1,507,254	1,438,966
Add: Unamortized bond premium	28,696	4,873
Less: Unamortized bond discount	(5,140)	(6,277)
Less: Deferred financing fees	(8,606)	(10,519)
Less: Current portion	(42,612)	(36,363)
Long term debt, less current portion	$ 1,479,592	$ 1,390,680

Interest expense on long-term debt totaled $62.6 million and $46.2 million for the years ended August 31, 2015 and 2014, respectively. This excludes $5.0 million and $12.9 million of capitalized

interest for the years ended August 31, 2015 and 2014, which is included in property, plant and equipment, net.

a. In October 2006, the Hospitals Center issued through the Dormitory Authority of the State of New York ("DASNY") the Series 2006A revenue bonds totaling $94.6 million. The Series 2006A bonds are payable at varying dates through July 2026 at a fixed rate of 4.80%.

   The proceeds of the Series 2006A bonds were used to advance refund the Hospitals Center's portion of the outstanding indebtedness on its Series 2000A bonds. This transaction completed the Hospitals Center's withdrawal from the Mount Sinai NYU Health Obligated Group in October 2007 when the University became the sole corporate member of the Hospitals Center's indebtedness. Accordingly, the Hospitals Center had withdrawn from the Obligated Group on October 4, 2006.

b. In January 2015, the Hospitals Center 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 were to be used to advance refund the Hospitals Center's outstanding indebtedness on the Series 2007A bonds. In connection with this transaction, the Hospitals Center recorded a loss on extinguishment of approximately $13.4 million. This loss is primarily the result of an interest prepayment requirement.

c. In December 2014, the Hospitals Center 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 to be used to advance refund the Hospitals Center's outstanding indebtedness on the Series 2007B bonds. In connection with this transaction, the Hospitals Center recorded a loss on extinguishment of approximately $13.7 million. This loss is primarily the result of an interest prepayment requirement of $9.6 million, and a noncash write off of unamortized deferred financing costs and bond discounts of $4.1 million.

d. In January 2011, the Hospitals Center issued through DASNY, Series 2011A revenue bonds totaling $130.9 million. The Series 2011A bonds are payable at varying dates through July 2040 at fixed rates varying from 2.0% thru 6.0%. The proceeds of the Series 2011A bonds are to be used to finance the renovation and equipping of the Emergency Department ("ED") of the Hospitals Center, renovation and equipping of the new Musculoskeletal Center, various capital expenditures, and the funding of a debt service reserve fund.

e. In August 2012, the Hospitals Center 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.

f. August 2013, the Hospitals Center 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.

g. In November 2014, NYU Hospitals Center issued Series 2014 Taxable Bonds totaling $300.0 million. The Series 2014 Taxable bonds require annual interest payments through July 2044 at 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 equipping projects, repay certain outstanding lines of credits and to pay working capital and other eligible corporate purposes.

h. In May 2014, the Hospitals Center entered into loan agreement with a bank totaling $150.0 million. The loan requires fixed monthly principal, and interest payments at variable rate equal to the Prime Rate in effect through May 2019. The rate for this loan at August 31, 2015 was 1.12 %, and debt outstanding was $143.8 million. The proceeds of the loan are to be used to finance capital and other general corporate purposes.

i. The Hospitals Center has four unsecured lines of credit totaling $500.0 million (Commitments 1, 2, 3 and 4). Commitment no.1 has a total capacity of $200.0 million, interest is payable on funds drawn at a rate of LIBOR plus 75 basis points and expires in September 2018. Commitment no. 2 has a total capacity of $100.0 million, interest is payable on funds drawn at a rate of LIBOR plus 70 basis points and expires in April 2016. Commitment no. 3 has a total capacity of $100.0 million, interest is payable on funds drawn at a rate of LIBOR plus 85 basis points and expires in March 2016. Commitment no. 4 has a total capacity of $100.0 million, interest is payable on funds drawn at a rate of LIBOR plus 75 basis points and expires in September 2018.

j. The Hospitals Center has several capital leases and loan agreements under which it can purchase various capital equipment. The agreements have interest rates varying from 1.09% through 2.24%. As of August 31, 2015 and 2014, the Hospitals Center has $70.7 million and $55.2 million, respectively, outstanding under these agreements.

In conjunction with the former and current debt agreements, the Hospitals Center has pledged as collateral various types of assets, which include an interest in the Hospitals Center's property, plant and equipment, gross receipts and limitations on the use of certain assets, including the transfer of assets to entities outside the Hospitals Center. Under the terms of the various agreements listed above, the Hospitals Center is required to maintain certain financial ratios. Compliance with these financial covenants is measured on a fiscal year basis only. The Hospitals Center's most restrictive covenants are meeting minimum requirements for debt service coverage ratio, days cash on hand and a cushion ratio. During 2015 and 2014, the Hospitals Center was in compliance with all financial ratio covenants.

Principal payments on long-term debt are as follows:

(in thousands)	
2016	$ 41,326
2017	41,381
2018	37,309
2019	155,671
2020	19,903
Thereafter	1,211,664
	$ 1,507,254

Fair Value of Long-Term Debt

Fair values of the Hospitals Center's series bonds are based on current traded value and are classified as Level 2. The fair values of the Hospitals center's other loans, capital leases and lines of credit approximate carrying value. These fair values are based on unobservable market data and are therefore classified as Level 3.

The carrying amounts and fair values of the Hospitals Center's long-term debt at August 31, 2015 and 2014 are as follows:

	2015		2014	
(in thousands)	Carrying Values	Fair Values	Carrying Values	Fair Values
Level 2	$ 1,316,376	$ 1,368,943	$ 1,033,646	$ 1,143,650
Level 3	214,434	214,434	403,916	403,916
Long-term debt	$ 1,530,810	$ 1,583,377	$ 1,437,562	$ 1,547,566

7. Professional Liabilities Insurance Program

The Hospitals Center is self-insured for professional liability primarily through a wholly owned segregated cell captive company, CCC550, created on April 20, 2005 pursuant to the Exempt Insurance Act of Barbados. Prior coverage for professional and general liability risks was provided through a multi-provider pooled insurance program that includes commercial coverage and a captive insurance program.

Self-insured loss reserves 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 self-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.

CCC550 has cash and cash equivalents, and investments totaling $320.4 million and $274.3 million at August 31, 2015 and 2014, respectively, to fund related obligations. Also, within accounts payable and accrued expenses, the Hospitals Center has recorded obligations related to the multi-provider pooled program, and obligations related to excess self- insured exposures not covered by CCC550. CCC550 has total obligations for insurance exposures of $278.5 million and $233.2 million as of August 31, 2015 and 2014, respectively. Including investment assets,

CCC550 has total assets of $408.0 million and $353.8 million at August 31, 2015 and 2014, respectively. Including obligations for insurance exposures, CCC550 has total liabilities of $361.7 million and $303.3 million at August 31, 2015 and 2014, respectively. After eliminating entries, net assets on the consolidated balance sheets relating to CCC550 are $315.0 million and $255.3 million at August 31, 2015 and 2014, respectively.

CCC550 also provides insurance coverage to certain voluntary attending physicians servicing NYUSoM and the Hospitals Center. The cost of this insurance coverage is the responsibility of such physicians.

8. Retirement Plans

Substantially all Hospitals Center employees are covered by retirement plans. These plans include various defined contribution plans, multi-employer plans and one Hospitals Center-sponsored defined benefit plan.

The Hospitals Center contributes to its defined contribution plans based on rates required by union or other contractual arrangements. Expenses related to the Hospitals Center's single employer defined contribution plans were $26.4 million and $24.8 million for the years ended August 31, 2015 and 2014, respectively.

Multi-employer Plans
The Medical Center also contributes to multi-employer retirement plans. 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 the Hospitals Center 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. The Hospitals Center does not have a minimum funding requirement for its multi-employer retirement plans. The Hospitals Center has contributed cash and recorded expenses for the multi-employer retirement plans noted in the table below.

(in thousands)	2015	2014
Multi-employer Retirement Plans		
1199 SEIU Health Care Employees Pension Fund [(a)]	$ 24,011	$ 23,317
Local 810 United Wire Metal and Machine Pension [(b)]	963	883
	$ 24,974	$ 24,200

(a) Represents greater than 5% of total plan contributions, based on the most recent Form 5500 available.

(b) The Hospitals Center's contributions are insignificant.

The following table includes additional disclosure information related to the 1199 Pension Fund multi-employer retirement plan:

Multi-employer Pension Plan Name	EIN/Pension Plan Number	Pension Protection Act Zone Status [c] 2015	Pension Protection Act Zone Status [c] 2014	FIP/RP [d] Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
1199 Pension Fund	13-3604862/001	Green	N/A	N/A	No	September 30, 2018

(c) A zone status rating of green, yellow, or red indicates the plan is at least 80% funded, between 65% and 80% funded, and less than 65% funded, respectively. "N/A" indicates the current information is not available.

(d) Funding improvement plan or rehabilitation plan.

Hospitals Center-sponsored Defined Benefit Plan

Contributions to the defined benefit plan 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 plan 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 the sponsors may deem appropriate, from time to time. Pension benefits under this plan are based on participants' final average compensation levels and years of service. The measurement date for the defined benefit plan is August 31, 2015. The Hospitals Center's plan was frozen as of June 30, 2000, and is no longer available to any new participants. Participants of the plan as of that date continue to accrue benefits.

The following table provides information with respect to the plan as of and for the years ended August 31, 2015 and 2014:

(in thousands)	2015	2014
Plans' Funded Status		
Change in benefit obligation		
Benefit obligation at beginning year	$ 444,781	$ 383,912
Service cost	5,287	4,933
Interest cost	18,534	18,806
Actuarial loss	12,700	52,770
Benefits paid	(16,953)	(15,640)
Benefit obligation at end of year	464,349	444,781
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	348,187	298,003
Actual return on plan assets	(7,270)	50,888
Employer contributions	10,000	14,936
Benefits paid	(16,953)	(15,640)
Fair value of plan assets at end of year	333,964	348,187
Funded status at end of year	$ (130,385)	$ (96,594)