AUDIT COMMITTEE
MEETING AGENDA

September 13th, 2012
3:00 P.M.
125 Worth Street,
Rm. 532–Board Room

CALL TO ORDER — Ms. Emily A. Youssouf

- Adoption of Minutes June 7, 2012 — Ms. Emily A. Youssouf

ACTION ITEMS

- Resolution — Dr. Louis Capponi, Mr. Salvatore Russo

  Granting approval by the HHC Audit Committee of the retention of KPMG, LLP, HHC's certified independent public accounting firm, to provide HHC with expert services for ICD-10 readiness preparation unrelated to the HHC audit.

- Fiscal Year 2012 Draft Financial Statements and Related Notes — Mr. Jay Weinman

INFORMATION ITEMS

- Fiscal Year 2012 Report to the Audit Committee — Mr. Jim Martell, Partner KPMG

- Audits Update — Mr. Chris Telano

EXECUTIVE SESSION

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT

MINUTES

AUDIT COMMITTEE

MEETING DATE: June 7th, 2012
TIME: 3:00PM

COMMITTEE MEMBERS
Emily A. Youssouf, Chair
Jo Ivey Boufford, MD
Josephine Bolus, RN

OTHER MEMBERS OF THE BOARD
Michael A. Stocker, MD

STAFF ATTENDEES
Antonio Martin, Executive Vice President/CCOO
Salvatore Russo, General Counsel, Legal Affairs
Marlene Zurack, Senior Vice President, CFO
Patricia Lockhart, Secretary to the Corporation, Chairman's Office
Deborah Cates, Chief of Staff, Chairman's Office
Christopher A. Telano, Chief Internal Auditor/AVP, Office of Internal Audits
Wayne McNulty, Corporate Compliance Officer
Christopher Byrne, Controller, Bellevue Hospital Center
Gassenia Guilford, Senior Director, Corporate Finance
Kathleen McGrath, Senior Director, Central Office Communications & Marketing
Julian John, Chief Financial Officer, Central Brooklyn Family Health Network
Anthony Saul, Associate Director, Central Brooklyn Family Health Network
Robert Malone, Deputy Chief Financial Officer, Queens Healthcare Network
Kiho Park, Associate Executive Director, Queens Health Network
Nancy Moscoso, Senior Associate Director, Queens Health Network
Lekhram Singh, Coordinating Manager, Queens Healthcare Network
Kieran Phelan, Controller, Sea View Hospital Rehabilitation Center & Home
Devon Wilson, Senior Director, Office of Internal Audits
Roger Mayer, Director, Office of Internal Audits
Steven Van Schultz, Director, Office of Internal Audits
Chalice Diakhate, Director, Office of Internal Audits
Zhanna Kelley, Assistant. Director of Internal Audit, Office of Internal Audits
Frank Zanghi, Supervising Confidential Examiner, Office of Internal Audits
Cynthia McIntosh, Supervising Confidential Examiner, Office of Internal Audits
George Asadoorian, Supervising Confidential Examiner, Office of Internal Audits
Sonja Aborisade, Associate Confidential Examiner, Office of Internal Audits
Violeto Palmere, Associate Director, Gen+Health Care Network
Gloria Ranghelli, Chief Financial Officer, Coler-Goldwater, Special Hospital Network
Mercia Franklin, Associate Director, Coler-Goldwater, Special Hospital Network
Kim Walcott, Associate Director, Coney Island Hospital

OTHER ATTENDEES
KPMG: Camille Fremont, Erin Murray
TCBA Watson Rice LLP: Bennie Hannott
NYSNA: Leon Bell
NEC: Mark Fogel
SUNNY Affiliation: Leo Johnson

RECORDING SECRETARY
Carlotta Duran, Sr. Executive Secretary

JUNE 7, 2012
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
NYC HEALTH & HOSPITALS CORPORATION

A meeting of the Audit Committee was held on Thursday, June 7, 2012. The meeting was called to order at 3:30 PM by Ms. Emily A. Youssouf, Committee Chair. Ms. Youssouf asked for a motion to adopt the minutes of the Audit Committee held on April 5, 2012. A motion was made and seconded with all in favor to adopt the minutes. An additional motion was made and seconded to hold an Executive Session of the Audit Committee to discuss matters involving the Fiscal Year 2013 audit work plan.

Ms. Youssouf then turned the floor over to Mr. Jim Martell, Lead Engagement Partner KPMG to introduce the information item regarding the Fiscal Year 2012 Audit Plan. Mr. Martell joined the meeting via teleconference along with Maria Tiso, the Client Share Partner. Mr. Martell then stated that he would go through the highlights of this year's audit plan. He said that this year they met with the Audit Chairwoman being Emily Youssouf to get her views and concerns. They also met with Chief Internal Auditor Chris Telano, and also with Corporate Comptroller Jay Weinman and his group to get a flavor as to what's been on their radar screen and barometer in terms of audit issues. Mr. Martell stated that the audit plan is a plan, this is not something carved in stone, that it does take perhaps a turn here and there and if other things do occur whereby they need to change the plan they will. They will let the committee know that there has been a change in the actual plan itself. Mr. Martell stated that Ms. Fremont and Ms. Murray will do the bulk of the presentation.

Ms. Youssouf asked the KPMG team to introduce themselves: Camille Fremont, Senior Manager; Erin Murray, Engagement Manager; Benny Hadnott, Partner, Watson and Rice LLP. Mr. Hadnott stated that he has worked with Jim Martell on audits for a number of years and that he has a staff that participates in aspects of the audit, especially in the inventory accounts and they also come back and review audits and work on various areas, including assets, whatever Ms. Fremont asks them to do. He is very pleased to be with the team and he feels that he and his staff have been treated very well during the period they have been engaged with KPMG.

Ms. Fremont began her presentation by directing the committee to slide 2 where they have laid out the engagement team which consists of KPMG, minority business and women business enterprises firms. Ms. Fremont then directed them to slide 3 where they have laid out the deliverables that they issue in addition to the Corporation's financial statement audits. They also include various cost reports as well as the bond covenant compliance letter. They issue standalone audited financial statements for both of the insurance companies which have a December 31st year end as opposed to the Corporation's June 30th and they will issue a management letter at the end of the audit.

Ms. Fremont directed them to slide 5 where they laid out the responsibilities for the audit as it pertains to management, KPMG and the Audit Committee. She stated the Audit Committee's role is one of oversight and monitoring. Management's responsibilities include establishing and maintaining effective internal control as well as preparing the financial statements in conformity with general accepted accounting principles. KPMG's role is to express an opinion about whether the financial statements are presented fairly in all material respects in conformity with the generally accepted accounting principles and that KPMG has a requirement to communicate all required information to both management and Audit Committee throughout the audit.

Ms. Fremont continued on slide 6 where they laid out the financial statement audit timetable and as Mr. Martell indicated, they have met with various members of management in coming up with this timetable. For the first time in January and February they actually did some interim site visits to test internal controls throughout the year and then in

April through June they've been holding various planning meetings. They reviewed the December 31st internal financial statements and are here to present the audit plan. Continuing into June and July, they will test the operating effectiveness of controls through additional site visits. They will also review the third parties as of March 31st and patient accounts receivable valuation process where they will utilize their computer assisted auditing tool to help them. Then in August and September they will start the final phase of the audit. Then they will be attending the Audit Committee meeting and reviewing the draft financial statement along with a draft management letter and performing all the required communications. Then they will once again be back in November to present the final management letter. Ms. Fremont stated that the due date of the financial statements has been accelerated by two weeks by the City to September 14th which will necessitate the audit moving up two weeks.

Mr. Martell stated that by pushing up the delivery date to the City by two weeks creates some additional work from management to supply them with the required work papers and the detailed financial statements in order to meet the deadline. Mr. Martell also stated that the New York City Audit Committee is looking to push up the presentation from NYCHHC to an earlier month.

Ms. Zurack stated that this has nothing to do with HHC; the City Audit Committee actually scheduled HHC for April and then was pushed to May. Ms. Zurack said that she offered to come in in December as soon as the Corporation had completed the national letter of review with this committee. She does not think this is a problem.

Ms. Youssouf asked KPMG to discuss the surprise visits that were discussed last year. Ms. Fremont responded that that was the interim site visits that they did in February. Those were surprise visits where two facilities were picked, they went out and looked to see if things such as cash disbursement controls were operating appropriately and some controls regarding accounts receivable – through that process they did not have any findings at that point in time so they were operating the way they would expect them to. Mr. Martell added that they were surprised they were not told at all that KPMG was coming. KPMG showed up on the doorstep on Monday telling them they were looking at such and such and gave those samples and they provided the information. It does appear that the facilities have the process under control as it relates to procedures that are documented.

Ms. Youssouf stated that she was pleased to hear that.

Ms. Fremont continued with slide 7 where they have laid out what they consider some of the critical audit areas which include the valuation of third-party payers, receivables and liabilities. Also laid out are some significant areas of the audit which include the post-employment benefit obligations other than pension for the OPEB liability. They also looked at non routine transactions throughout the audit; there are no new accounting pronouncements for the current year. HHC entered into a transaction with North General that management is currently working through the accounting treatment for and the presentation with the financial statements. Management is also reviewing the Physician Affiliate Group of New York (PAGNY) agreement that was entered into to determine whether or not consolidation will be necessary within the Corporation's financial statements.

~~Ms~~Ms. Youssouf asked that if it wouldn't normally be. Mr. Martell responded by stating that typically when you don't have ownership it's not, but under the accounting rules for variable interest entities it goes into a little more detail as it relates to control and so forth. There's some additional literature that will be required.

Ms. Youssouf stated that she did not think they controlled it but she's sure Finance will be able to sort it out with KPMG.

Continuing with her presentation Ms. Fremont stated that they also reviewed the information technology environment; they looked at such things as access controls and used their internal specialist to look over control over change management within the system.

Ms. Fremont continued with slide 8 where they laid out what they call their key map by audit area. This shows the risk that KPMG goes through during the audit by the level of risk. The highest ones are red and it shows how management, KPMG and Internal Audit work together in order to address the risks for the audit.

Ms. Youssouf asked to briefly explain timing cut off. Ms. Fremont stated that what that pertains to is to make sure revenue is recognized in the proper period. In terms of the accounts receivable and third-party payers and liabilities, to make sure it's being recognized in the proper period and what expenses were incurred in all.

Dr. Stocker asked if this refers to end of year. Mr. Fremont responded that this would be June 30th.

Ms. Youssouf asked that if in fact there was another area the board thought should be moved up, they would just have a discussion with management and KPMG. Ms. Fremont responded correct.

Ms. Zurack stated that in terms of this HHC is on a very aggressive timetable due to the weeks early for the City. She's asking KPMG to let her know what would be the last date HHC can reshuffle the priorities. Mr. Martell responded that KPMG has revised the calendar and they will share with HHC in terms of timing. Basically KPMG will start doing a lot of the third-party work now in the month of June, but July and August is going to be a lot more work. KPMG used to come in late July, now it will be in early July, but he expects draft financial statements by August 13th.

Ms. Zurack asked if the board wanted to escalate or elevate one of the green items or blue items, when KPMG would need to know so that KPMG does not go out and start the audit with the plan they have and have to do rework given the timetable. Mr. Martell responded that most of the stuff whether it's green and there is a concern at the board level, KPMG would just be adding additional work. The most time they would ask is a week's notice to revamp the audit approach.

Ms. Zurack asked that if it's a week from today or a week before the end of the audit. To which Mr. Martell responded that probably a week before they actually start their interim test work, their year-end test work, which would be in July. If they go in July 9th they would have to know by the end of June.

Dr. Boufford asked whether construction management might be moved up into the red zone that there may be certain vulnerable projects than others that could be targeted. Ms. Zurack stated that she thinks KPMG should define what they mean by construction management. Ms. Fremont stated that there are significant construction projects that are ongoing in the Corporation and KPMG will look at constructions in progress. They will look to make sure HHC is following proper procedure, that it's signed off by the appropriate people and categorized in the right bucket. For example, tools and equipment and buildings and improvement. For KPMG, construction projects are somewhat routine. It is something that is purchased and continued to build, so it is elevated to a red in terms of the audit.

Ms. Zurack stated it is looked at how the dollars are spent and being recorded in the books, and whether or not the projects are managed well within the budget.

Mr. Martell stated that that it's correct. That they are not looking at the operational aspects of the project, they're looking at the change orders, making sure they're approved appropriately, the cash disbursements are approved

appropriately, the bid process was completed appropriately, how the construction in progress being recorded, is there capitalized interest associated with it.

Ms. Youssouf asked if KPMG has an internal team who could look at construction projects. Mr. Martell responded absolutely.

Ms. Youssouf stated that that is something the Audit Committee members would like to discuss with KPMG and that she had a brief discussion with Ms. Zurack about this. Ms. Zurack stated that they're talking about a separate engagement on the consulting side.

Dr. Stocker asked if KPMG is actually looking at the management of the building, how to go through the process of construction. To which Mr. Martell responded absolutely, that he knows exactly what Dr. Stocker is talking about.

Dr. Stocker asked if KPMG does that. Mr. Martell responded yes they do that. They have a huge advisory practice in the real estate practice that does all that.

Ms. Youssouf stated that the committee will be discussing this with Ms. Zurack and will get back to them on that.

Ms. Fremont continued her presentation with slide 9 where they laid out for the committee how they utilize both the minority business enterprise, the women business enterprise and a member of the corporation's Internal Audit staff.

Ms. Fremont turned to slide 10 through 12 where they talked about some of their responsibilities throughout the audit as it pertains to fraud. They have a responsibility to conduct the audit in accordance with generally accepted auditing standards and plan to perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error. In order to do that, KPMG will identify certain progress that the Corporation is subject to and then will identify or respond. Some of those include testing the effectiveness of controls, making sure risk of management override of controls is minimal or not there. They will also look at and address revenue recognition back to the point of cutoff in the appropriate period. Then another key component to the fraud approach are the SAS 99 fraud interviews illustrated on slide 12.

Ms. Youssouf asked if the fraud risk states anywhere if the Corporation is spending large capital dollars. Ms. Fremont responded that the spending of money is not necessarily a fraud risk. It's about the Corporation not following the procedures and protocols. Those large spends would be caught in the cash disbursement.

Ms. Youssouf stated that the board has recently approved a number of capital spends and just wants to make sure that they are reviewed. To wish Ms. Fremont responded that there will be awareness with that throughout the audit.

Ms. Fremont continued by stating that on slide 12 there are the individuals within the Corporation that they plan to schedule SAS Fraud 99 interviews with. They include Madam Chairwoman, the Chairman of the Board Dr. Stocker, Marlene Zurack, Wayne McNulty, Chief Internal Auditor Chris Telano and others as they go through the process as well.

Ms. Fremont then stated that another thing that they have to consider throughout the audit on slide 13 is liquidity. That comes to KPMG through the Statement of Auditing Standards 59. The auditor has a responsibility to evaluate whether there is substantial doubt about the entity's ability to continue as a growing concern for a reasonable period of time. They have to look at certain key indicators, for instance the December 31, 2011 internal financial statements. Laid out are the five indicators that were looked at. The Corporation has a net asset deficiency and a loss from operation, as a

result of that KPMG will perform certain audit procedures laid out on slide 14. KPMG will look at the 2013 budget and cash flow projections. KPMG will read the board and finance committee's meetings minutes, reports that have been issued if there are any restructuring reports then they will also look at the 2012 budget and compare that to the actual reports.

Ms. Youssouf asked what they meant by restructuring reports. Ms. Fremont responded that about one or two years ago the Corporation had a restructuring. Ms. Zurack added that Ms. Fremont is referring to the Road Ahead or any kind of cost containment or future plan to create savings or increase revenue.

Ms. Fremont continued and stated that they will also look at the working capital, days in account payable and the continued support from the City of New York which is an integral component for the preparation.

Ms. Zurack stated that she wants to make sure the committee is really clear on what's going here. On certain indicators related to the loss from operation and the net asset deficiency that would raise concern. She presents to this board and its various committees where the Corporation is currently as it relates to the current net asset deficiency and loss from operations. In HHC's favor, HHC tends to have decent cash and decent liquidity relative to HHC's peers in the health care industry in New York. But because of the loss from operations and the trend of the loss from operations, which is going up not down, there is this sort of secondary review that is being done. They are confirming that in fact HHC is taking action.

Ms. Boufford asked that how do those two categories relate to the issue of the uninsured and underinsured. How do you take into account that certain people would not be able to pay. Ms. Zurack asked if Ms. Boufford meant if they're comparing HHC to others. Ms. Boufford stated that if you look at the issue of net asset deficiency, loss from operation and you are seeing X number of patients, you play out the scenario, and you are collecting X minus whatever funding because of the nature of the patients. That's a characteristic of this kind built into the organization that ought to be flagged in a way other than from operations.

Mr. Martell stated that Ms. Zurack statement is correct. The reality is as they look at liquidity they look at the reasons why. The real question is how management is going to stay cash positive. The purpose of their report is to state to the readers of the report that you will be here next year. It does not go into the reasons why you won't be or the reasons why you will be. It goes into the reasons whether or not KPMG believes HHC has the financial strength to be in existence 367 days from the date of the year end.

Ms. Youssouf asked if they review management in respect of the people who are running various areas are competent and qualified. Mr. Martell responded that they review management's assumption as it relates to the financial reporting. They evaluate based on job function and obviously if it has an impact on the reporting they would inform the committee.

Ms. Fremont stated that KPMG has to get comfortable with the process that management goes through to come up the budget and also what the actual results will be. That's why a key component is looking at the 2012 budget and how it performed against that budget, which gives KPMG comfort that the appropriate assumptions are being utilized. So as KPMG goes through the third-party reviews as well as looked at what are the changing regulations, those reimbursement-type issues are caught up in the third-party receivables and liabilities.

Ms. Fremont continued to slide 15 where they point out the two new government accounting standards pronouncements that will be effective for the Corporation for fiscal year 2013. The first one is the codification of accounting and financial reporting guidance. This is basically what all the other not-for-profit organizations went

through when the FASB codified all their accounting pronouncements. This will bring in all the authoritative literature in one spot in GASB so that HHC does not have to decide on adopting it or not; it will be all in one place. There is no change on how the corporation currently applies their accounting pronouncements.

Mr. Martell added that these two items don't affect 2012; they're there for information purpose only. This will be discussed next year in the planning budget.

Ms. Youssouf asked that although GASB 63 does not take effect until 2013 that she thought it had to be reported this year. Mr. Martell responded that he was not aware of it, but he will do some research and get back to her.

Ms. Zurack stated that her understanding was all we had to change was some of the wording on the presentation of the income statement. Her understanding is that GASB 62 did not affect the corporation at all. She asked Mr. Martell to confirm that. Mr. Martell responded that they will see if there are any changes.

Mr. Frement continued to slide 16 and 17 stating that these are included for information purposes and slide 18 lists the resources that are available to the Corporation.

Mr. Martell stated those are the details of the plan. As stated earlier they moved everything up two weeks so they will be visiting HHC earlier than normal. He envisions KPMG presenting to this committee somewhere in mid-September so that the New York City time frame can be met.

Dr. Boufford asked who management in this audit is, is there a mechanism for facilities engagement in sort of designing in the engagement of the auditors. KPMG mentioned that they do spot visits unannounced at facilities, but is there a kind of advisory group or group of executive directors involved or some group other than Central Office? Ms. Zurack responded that this is just an overview; this is a financial statement audit and that maybe at some other Audit Committee meeting we can present a flow chart and how the financial statements are prepared. The actual preparing of estimates and putting together financial statements are done exclusively by Central Office. However, they are done by data and transactions that are recorded at the hospital and diagnostic treatment centers and the nursing homes. That's why there is this field testing; the data being used is coming from the system.

Mr. Martell added that Ms. Zurack is correct, that what they consider the senior management team are the people at Central Office. The people out in the field at the facilities are there to assist us with reviewing the data which Central Office utilizes to come up with the estimates and the financial statement presentation.

Ms. Youssouf asked if there were any questions for the KPMG team and asked Mr. Martell if he had anything else to say. Mr. Martell responded no, he apologized he could not be present in person.

Ms. Youssouf asked Ms. Fremont if she had anything to say. She responded no, thanked the committee for the opportunity to be present again.

Mrs. Bolus thanked them for being present.

Ms. Youssouf moved onto the next information item: Chris Telano's internal audit update.

Mr. Telano saluted everyone and thanked Ms. Youssouf. Mr. Telano stated that today he had five reports to discuss. Regarding the first review, at the request of the Audit Committee, internal audit performs follow-up audits of reviews done by external agencies. This review was done at Sea View Hospital by the Social Security Administration; this was

of the Representative Payee Program. This is simply bank accounts that are opened for the residents in which the Corporation controls as it was determined that the residents are not competent to handle their funds. Social Security found three issues – one relates to the funds being given to the proper parties when a resident expires, two is about the titling of the bank accounts and three relates to the receipts of expenses when petty cash is given to the resident to spend. Our review found that overall the same issues exist. Sea View continues to release the conserve funds to the family of the beneficiary or uses it to pay for the funeral. They believe that they are following Medicaid and a lower court ruling that is in contradiction with Social Security guidelines and Sea View management has been in touch with Social Security to resolve this issue. The accounts of the residents also were not titled properly, especially those who received physical checks; Sea View is working to correct that. Receipts for expenses incurred by the residents are not documented by proper support.

Mr. Telano asked if the committee wants the Sea View representatives to come up to the table. Ms. Youssouf responded by asking the other members of the committee if they had any questions about this particular audit.

Dr. Boufford responded by suggesting that it would be useful to know who the responsible person is and what the timetable is for corrective action in the report. In some instances the report says management will, in others it says the facilities will but it doesn't really say who's doing it and by when. She thinks it would be useful as an Audit Committee to record that a high level person or an executive is involved.

Ms. Youssouf thought that Dr. Boufford suggestion was a good one.

Mr. Telano continued by stating that the second audit performed was about patient revenue at Queens Hospital. Basically we found that there are no written procedures in the cashier's office and outpatient billing department pertaining to the time frame self-pay cash payments are posted. This issue will be resolved in a short period of time; perhaps three to six months because of the implementation of auto posting within the cashier's area. The second finding has to do with patients that are denied insurance, usually Medicaid, and they are referred to as self-pay. The system has a glitch in it which it does not send billings out to them; as a result, the facility does not always collect the monies. We found that the facility does not have a work around the system.

Ms. Youssouf asked for the representatives from Queens Hospital to come up to the table and introduce themselves. They introduced themselves as follows: Mr. Lekram Singh, Store Manager; Mr. Brian Stacey, Queens Network Chief Financial Officer; Ms. Nancy Moscoso, Operations Assistant Director and Mr. Robert Malone, Deputy Chief Financial Officer.

Mr. Telano continued by stating that the last issue is supposed to be resolved in April 2013 via the upgrading of the Siemens' financial system. Both of these issues that I'm discussing will be resolved as a result of systematic issues.

Ms. Youssouf asked if there is any way to do anything about this prior to April 2013 – it seems rather far away.

Mr. Stacey stated that the cash posting issue being addressed is already in terms of tightening up that time frame. As Mr. Telano said, there were a number over 30 days, which actually has been tightened up already. We have implemented some things from when cash is received to cash control to then actually post payment. We already started implementing that approach. Mr. Telano stated that on the other issue, they did request a report for self-paid write-offs. Ms. Moscoso stated that she has audited March and April, did a sample of the patients and she has audited it to make sure all those patients are recorded.

Dr. Stocker asked if they are being billed. To which Ms. Moscoso responded yes. Dr. Stocker asked to give him some idea of the size of that when they went back two months.

Mr. Stacey answered by stating that is probably seven hundred. Dr. Stocker asked if it was per month and Mr. Stacey said yes.

Dr. Stocker asked what kind of revenue he would expect to get out of it. Mr. Stacey said that on the self-pay side not very much. Most of the self-pay patients wind up in the fee scale because they are not Medicaid eligible; if it's self-pay they pay $15.

Ms. Youssouf asked that out of the few hundreds, are they all self-paying. Mr. Malone responded by stating that in this finding yes. The finding related to self-pay operation, which represents about two percent of our total outpatient payments.

Ms. Youssouf stated that the corporate bad debt policy is 100 percent self-pay that that was her question. Mr. Malone responded no.

Ms. Youssouf asked that since they are doing something manually prior to getting the system up, how much revenue you anticipate getting out of those few hundred a month. Mr. Malone answered by saying that on the self-pay population probably will get some patients that could come in on the fee scale, do fee scale application and will enable them to become part of our fee scale population. So that will secure the future visits that they pay the $15 a month or whatever amount.

Dr. Stocker asked that across the Corporation what do you raise on self-pay. Ms. Zurack responded that the entire self-pay collections, all services, are approximately $40 million a year. However, approximately $10 million of that is in the nursing homes for the net – their share of the social security check. Then she said she would say off the top of her head $13 million which is sort of in the category and the rest is on the inpatient side. This is for patients that came in and were not identified as self-pay initially which you have to go manually change the classification and there was a delay in changing the financial classifications on these patients. It's not the majority of self-pay patients just the ones that came in and they were not identified as self-pay. They might have been identified as something else, Medicaid say for example, erroneously, and after some investigation they find out they're self-pay going in and change each account. That's the standard work of the hospitals.

Ms. Moscoso added that it's not that they're behind, in some instances they were unaware that the patient came in Medicaid, was pending or something like that. Sometimes it was retroactively enrolled, in that instance once the Medicaid was put in the system with an effective date; the visits prior to the effective date will go to the self-pay side. In those instances, it's not all the time, there's a current statement balanced generated.

Ms. Youssouf asked if the bad debt number was on a monthly basis or on average. Mr. Stacey said that he did not know off hand.

Ms. Zurack added that she will translate what Mr. Malone was saying. If we were to look in the accounting system they would go at full charges, but the truth is 99 percent of these patients are eligible to be in the HHC option programs. Whereas, the patient has $400 in charges, once all the paperwork is done the real bad debt number is going to be $15. So the answer to what is in the bad debt file is going to be the number of charges.

Dr. Stocker asked that if this was done across all the facilities what it would be. Ms. Zurack asked if he meant the sum of the bad debts. Mr. Stocker said just what we would find, same practices, and different practices. Ms. Zurack stated that she did not know and Mr. Telano stated that he had not done anything. Ms. Zurack stated that whether or not they're not changing the financial class that she would have to get back to him.

Ms. Youssouf stated that it's probably something that we need to try to find out and have a best practice.

Ms. Zurack stated that Maxine Katz could not come to this meeting and she's the expert on all this practice. Ms. Zurack said that she will make sure that she does her due diligence and get back to the committee.

Ms. Youssouf said thank you and asked if there were more questions for Queens.

Mr. Telano stated that he will skip around since the Queens people are on the table. He will discuss the surprise count at the warehouse. He started off by saying that Mr. Singh and his staff should be commended for the controls that they have at the warehouse. We did a surprise count, we counted 90 items and 88 were correct and the total difference was approximately $140.

Ms. Youssouf said that was great.

Mr. Telano said that he just wanted to point out what an excellent job Mr. Singh and his staff did.

Mr. Stocker stated that they looked at a number of these items and he thinks they are the corporate champions.

Mr. Telano continued by stating that there are just two small issues, the lack of security cameras and also access to the system. There are a couple of individuals that should not have full access to the system.

Ms. Youssouf asked if those two items have been corrected.

Mr. Singh responded that the cameras are in the process of being installed and the two individuals came off the system.

Mr. Telano continued with the audit at Kings County – this was the start of the affiliation audits. The first one was Kings County Downstate.

Ms. Youssouf asked the representatives to come up to the table and introduce themselves. They introduced themselves as follows: Leo Johnson, Affiliate Administrator, Julian John, Chief Financial Officer, Ross Clinchy, Associate Dean for Administration at SUNY and Anthony Saul, Controller.

Mr. Telano stated that during our test work we wanted to confirm the accuracy of salaries by tracing this information to documentation. We found 9 out 31 in which we could not do that. Personnel forms, which indicate this information, were not current indicating the salaries that were on the books. In addition, we feel that the individual who is responsible for the payroll record keeping task is the only person that has intimate knowledge of the process and since the process is not written in a policy and procedure manual, we recommended that they create a manual in lieu of hiring a backup.

Ms. Youssouf asked that someone from the facility discuss the issue and is a manual in the process of being created and what are you doing in between. Mr. Johnson said that on the issue of the forms being outdated, the way the

SUNY system is set up is when an employee is hired there's a form and if there's no transaction, which could be a year or ten years, there's no automatic update. The individual's salary would change over the years based on Cost of Living Adjustment (COLA) or discretionary. We have 3,000 employees and we don't have the resources every time we use COLA to actually put in paperwork to increase salaries like that. We do have salary history that we just started recently and we insured the audit team that would make payment accordingly. In the future that would be part of the documents that will be presented. Even if they had a form, say 10 years ago, it would be a lot easier to trace salaries today.

Ms. Youssouf asked if it's not automated at all and if they have this on a computer system. Mr. Johnson said that they just recently started. Mr. Saul added that this was through the state payroll system. When there's a cost of living increase through the collective bargaining agreement, it is applied by the Office of the Comptroller to everybody's paychecks across the system. We don't process pieces of paper on the campus to get those COLAs and so what we are saying is if we equate someone to say $50,000 a year nothing else happens to them except COLAs the salary history that's in the computer will show the changes year by year reflecting the collective bargaining agreement. There won't be a piece of paper changing that salary unless there's some other kind of transaction, changing FTE, in which case there will be a piece of paper processed reflecting that change.

Ms. Youssouf asked if our internal auditors have the ability to look at the system. Mr. Johnson responded yes, and just to add one thing. Out of fairness to Chris Telano and his team, some of our forms do have cross outs used by different areas. Sometimes the numbers will change and that is something we have gone out our way to correct. In the future, the form should be pretty clear. We are trying to eliminate cross outs.

Mr. Saul added that they have several PDFs instead so they are easier, but the transactions are all in the records in the payroll system in the State Comptroller's Office.

Mrs. Bolus asked if there was a backup should the system ever go down. To which Mr. Saul responded that the State Comptroller does. We don't manage the system on the campus; this is a state-wide system management.

Ms. Youssouf asked what about the policy and procedural manual that was mentioned. Mr. Johnson said that they were in the process and they agree with Chris' findings. They are going to write a policy and procedure manual.

Ms. Youssouf thanked them and directed Mr. Telano to discuss the next audit which is Coler-Goldwater.

Mr. Telano stated that in light of the follow-up audit done at Sea View regarding the records of the Payee Representative Program, we decided to roll that audit out at the skilled nursing facilities and we started with Coler. We just completed our audits of McKinney and Gouverneur. This is the result of the audit from Coler.

Ms. Youssouf asked for the representatives of Coler to come up to the table and introduce themselves. They introduced themselves as follows: Mercia Franklin, Chief Contracting Office; Gloria Ranghelli, Chief Financial Officer.

Mr. Telano stated that basically we came up with the same issues that came up at Sea View. The bank accounts with titles not in adherence to Social Security requirements. The conserve funds were not being sent back to Social Security when the residents are being sent over to Goldwater. The only unique finding was regarding the bank accounts. We found a $1,200 unresolved deposit that existed and a levy of $4,000 that the IRS applied, but the beneficiary had died and the account was closed but the money was given out of a primary account so the IRS owes us money.

Ms. Franklin said that they actually did not give them the money; they automatically took it not realizing that the account was not just for that one resident that it was a group account so we are trying to get it back.

Ms. Youssouf stated that seems to be a problem at the nursing homes in general and asked Chris Telano if there's a way to make it easier. Mr. Telano said that they wanted to do the review first, complete the reviews at McKinney and Gouverneur and come up with best practices. He thinks that we have a lot of similar issues, when we're done with those audits we'll present a document indicating what should be done. One thing noteworthy is that Coler-Goldwater and Gouverneur and McKinney all have their bank accounts with Amalgamated. He thinks we should have some leverage with them because he understands there will be some push back in the title of some of these accounts. He's not sure we used that leverage in the past but now that everyone knows it.

Ms. Youssouf asked Ms. Zurack to respond to that. Ms. Zurack stated that we opened those accounts in Amalgamated as part of a program with the City Department of Finance because it's the only bank that has a branch on Roosevelt Island. So the City was asking to shore up that branch, otherwise there might have been no branch on Roosevelt Island and this was done a couple of years ago.

Ms. Youssouf asked if it's possible for Ms. Zurack to make a call. Ms. Zurack said yes that she would call.

Mr. Telano continued on with the briefing – the audits in progress. A quick summary of the New York City Office of the Comptroller overtime report that finally was issued in final on May 7th and on page 10 is a list of the follow-up audits and their progress.

Dr. Boufford asked if there were any title patterns on their overtime usage that could be subject to managerial issues. Mr. Telano responded that there did not seem to be in their review, and stated that that concludes his presentation.

Ms. Youssouf thanked Mr. Telano and directed Mr. McNulty to begin the Compliance Update.

Mr. McNulty saluted everybody and began his presentation by discussing compliance training. He noted that the Audit Committee ("Committee") was previously informed that, with regard to compliance training of HHC staff, the Office of Corporate Compliance ("OCC") was moving from the use of an outside vendor to an internally developed computer-based training program. He informed the Committee that at the present time all physicians, nurses and group 11 employees, as well as individuals designated by group 11 employees, receive compliance training. He further informed the Committee that the OCC was going to expand training to include all health professionals licensed under the Department of Education, as well as any individual who documents in the medical record and such documentation is used to support a claim submitted to Medicaid, Medicare or to a private payor. He told the Committee that the OCC developed a computer-based training ("CBT") module for physicians, noting that the module was in its final draft stage. He commented that the physician CBT module was disseminated to the members of the Executive Compliance Work Group ("ECW") as well as the members of the ECW Subcommittee on Compliance and Quality ("ECW Subcommittee"). Mr. McNulty stated that he anticipated this module would go live at some point in the following week. He added that the OCC looked forward to getting responses back from the ECW and the ECW Subcommittee, stressing that changes to the module would be made as necessary. He described the physicians' module by noting that it was about an hour long. He continued by discussing the content of the module, noting that it covered fraud and abuse, child abuse reporting, and professional responsibility. He informed the Committee that moving forward, training modules for the Board of Directors, health professionals and nurses, and for HHC managers, would be developed.

Ms. Youssouf asked how often everyone will be required to go through this training online. Mr. McNulty answered by stating that training was an annual requirement. He added that all new employees would also be required to undergo training.

Mr. McNulty continued with item number two of the compliance report agenda, the Corporate Compliance Work Plan. He stated that the OCC had initiated the assessment cycle review of each calendar year ("CY") 2011 Corporate Compliance Work Plan item. He explained that corresponding risk assessment and audit tools were completed and sent out to the subject matter and process experts. He expected to have the results back by June 20th. Mr. McNulty stated that the corresponding results would be reviewed and vulnerabilities and risks would be identified. He further stated that based on said results, the OCC would then determine whether or not an item would move to the mitigation stage, where a plan of correction would then be developed. Mr. McNulty provided that if a determination is made that an item poses either a low risk or no risk, said item would subsequently be closed and removed from the work plan.

Mr. McNulty asked the Committee if there were any questions with regard to OCC's review and assessment cycle.

Ms. Youssouf responded no, but she asked if Mr. McNulty if he would report back to the Committee on the final risk determination with regard to each item. Mr. McNulty replied that he would report back to the Committee as to the status of each item, including the details of any implemented mitigation plan.

Mr. McNulty continued on with the next item. He stated that each year the Federal Office of the Inspector General ("OIG") issues a work plan. He continued by stating that the OCC reviewed and assessed the OIG's fiscal year ("FY") 2012 Work Plan. He commented that OIG's FY 2012 Work Plan could basically be divided into seven (7) main categories. He explained that the OCC particularly focused on the Medicare Part A and Part B category, noting that this category was applicable to HHC. He added that the remaining six (6) categories in OIG's FY 2012 Work Plan were not directly related to HHC's operations. He further added that the OCC initiated an assessment of the Medicare Part A and B category of OIG's Work Plan and subsequently developed questions sets, which were disseminated to the relevant process and expert owners. He anticipated responses to these question sets by the end of June. He stated that, based on the vulnerabilities and risks present with each item, the OCC would determine the scope of the HHC calendar year 2012 work plan. He added that the final assessment findings would be reported to the Committee in September.

Mr. McNulty continued with page five. He started by stating that the Office of the Medicaid Inspector General ("OMIG") released their fiscal year 2012 and 2013 work plan in May. He informed the Committee that the OCC was going to initiate an assessment of that work plan similar to the assessment currently under implementation for the OIG Work Plan. He stated that the OCC would report back to the Committee in September with an update up this matter.

Mr. McNulty continued with by discussing the OCC's staffing status. He announced that effective June 25, 2012 the OCC would be fully staffed. He informed the Committee that the vacant position in the South Brooklyn/Staten Island Health Care Network was filled, noting that the successful candidate was MetroPlus's current Chief Compliance Officer. He also informed the Committee that the OCC received staff training in May at the Health Care Compliance Association's regional annual conference in New York City. He told the Committee that the conference focused on compliance topics such as data mining, OMIG activities and their areas of focus, internal investigations, and anti-kickback and Stark Law. Mr. McNulty explained that training and education were essential to OCC staff, commenting that the OCC would explore other training opportunities. He further explained that information obtained by OCC staff during training would be shared with the ECW and the facility compliance committees.

Mr. McNulty continued to item number 7 – the development of data mining compliance activities. He informed the Committee that, as part of the OCC's strategic plan, it was investigating data mining tools and activities to identify areas of noncompliance and corporate vulnerability. He explained to the Committee that a large portion of HHC's current work plan was assembled by looking at OIG's Work Plan and OMIG's Work Plan. Mr. McNulty stressed that the OCC wanted to be more proactive by looking at HHC's financial system. He told the Committee that he had discussed data mining with Chief Financial Officer Marlene Zurack. He stated that Ms. Zurack recommended that the OCC staff undergo GPS training, which is Siemen's data warehouse. He informed the Committee that said training was scheduled to take place in July. He further commented that the use of this available information could be used to look at certain outliers and determine if HHC has risks and vulnerabilities.

Mr. McNulty continued to item number 8 on the compliance report agenda by informing the Committee that May 7 through May 12 was Corporate Compliance Week. He stated that this year's theme was "Think Compliance First." He informed the Committee that HHC president and Chief Executive Mr. Aviles sent out an informational email to the entire HHC workforce encouraging workforce members to report potential compliance issues and stressing HHC's prohibition of retaliation with regard to whistleblowers. He further informed the Committee that the OCC set up tables at HHC's various facilities and encouraged HHC staff members to report compliance issues through the OCC's confidential hotline. He told the Committee that HHC staff members were informed that HHC fully protects whistleblowers.

Mr. McNulty continued on with the last item, which was the Monitoring of Excluded Providers. He stated that there were no self-disclosures to report since the last time the Committee convened in April. He reminded the Committee that it was informed back in February about the OCC's discovery of a staff nurse at Woodhull Medical and Mental Health Center who was on the OMIG list of excluded individuals. He commented that the subject nurse was placed on OMIG's excluded list in early February and was discovered by HHC towards the end of February. He stated that the nurse was separated from services two days later after discovery. He reported that the government was made aware of the discovery and that the issue was resolved. Mr. McNulty explained that although HHC will not have to return any funds back to the Government, HHC will have to adjust its cost report.

Ms. Youssouf thanked Mr. McNulty. Mr. McNulty stated that that was the end of his report.

Ms. Youssouf then indicated that the Committee was going into Executive Session. (Executive session was then held).

After returning to public session Ms. Youssouf asked for a motion to approve the Internal Audits Plan. It was seconded and approved.

There being no further business, the meeting was adjourned at 5:12 P.M.

Submitted by,

Emily Youssouf
Chairperson
Audit Committee

RESOLUTION

Granting approval by the HHC Audit Committee of the retention of KPMG, LLP, HHC's certified independent public accounting firm, to provide HHC with expert services for ICD-10 readiness preparation unrelated to the HHC audit.

WHEREAS, KPMG, LLP is the independent certified public accounting firm that audits HHC; and

WHEREAS, New York State's Public Authorities Accountability Act requires that a Public Authority obtain written approval by the Authority's Audit Committee for the certified independent public accounting firm that performs its audit to render expert services unrelated to the audit services; and

WHEREAS, pursuant to a Request For Proposals issued by the Corporation's Division of Enterprise Information Technology, HHC has selected KPMG, LLP to assist HHC with preparation for the implementation of ICD-10 enterprise-wide.

NOW, THEREFORE, BE IT

RESOLVED, that the HHC Audit Committee grants approval for the retention of KPMG, LLP to provide HHC with expert services for ICD-10 readiness preparation unrelated to the HHC audit.

DRAFT 9/10/2012 11:17 AM 9712.docx

Final Editorial Review Completed

PLEASE COMPLETE

Date/Time Due _____

Services Requested:

_____ *Format* _____ *Revisions*

_____ *Editorial Review* _____ *Print*

Name: _____

Tel./Ext.: _____

Special Instructions:

_____

_____

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

(A Component Unit of the City of New York)

Financial Statements
(With Management's Discussion and Analysis)

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
New York City Health and Hospitals Corporation:

We have audited the accompanying balance sheets of New York City Health and Hospitals Corporation (the Corporation), a component unit of the City of New York, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of MetroPlus Health Plan, Inc. and HHC Insurance Company, Inc., blended component units of the Corporation, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York City Health and Hospitals Corporation as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September __, 2012 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

September __, 2012

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)
Management's Discussion and Analysis
June 30, 2012 and 2011
Financial Analysis
Summary of Assets, Liabilities, and Net Assets (Deficit)
June 30, 2012, 2011, and 2010
(In thousands)

	2012	2011	2010	2012 – 2011 Percentage change
Assets:				
Current assets	$ 2,592,302	2,641,879	2,606,943	(1.9)%
Capital assets, net	3,009,964	2,874,966	2,810,720	4.7
Other assets	324,144	427,908	207,451	(24.2)
Total assets	$ 5,926,410	5,944,753	5,625,114	(0.3)%
Liabilities:				
Current liabilities	$ 1,587,573	1,536,553	1,564,501	3.3%
Long-term debt, net of current installments	1,025,525	1,039,664	901,352	(1.4)
Postemployment benefits obligation, other than pension, net of current portion	4,422,153	4,218,416	3,688,635	4.8
Total liabilities	$ 7,035,251	6,794,633	6,154,488	3.5%
Net assets (deficit):				
Invested in capital assets, net of related debt	$ 2,059,253	1,975,015	1,871,925	4.3%
Restricted	235,667	226,427	209,958	4.1
Unrestricted	(3,403,761)	(3,051,322)	(2,611,257)	(11.6)
Total net deficit	$ (1,108,841)	(849,880)	(529,374)	(30.5)%

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Management's Discussion and Analysis

June 30, 2012 and 2011

Financial Analysis

Summary of Revenues, Expenses, and Changes in Net Deficit

Years ended June 30, 2012, 2011, and 2010

(In thousands)

	2012	2011	2010	2012 – 2011 Percentage change
Operating revenues:				
Net patient service revenue	$ 4,909,800	5,315,360	4,778,845	(7.6)%
Appropriations from (remittances to) City of New York, net	(9,140)	27,593	287,048	(133.1)
Premium revenue	1,891,996	1,279,390	1,107,197	47.9
Grants revenue	249,227	213,226	220,152	16.9
Other revenue	71,271	47,519	47,323	50.0
Total operating revenues	7,113,154	6,883,088	6,440,565	3.3
Operating expenses:				
Personal services, fringes benefits, and employer payroll taxes	3,557,598	3,627,371	3,572,129	(1.9)
Other than personal services	2,454,878	1,964,049	1,837,224	25.0
Postemployment benefits, other than pension	303,165	620,601	602,623	(51.1)
Affiliation contracted services	884,436	857,467	825,375	3.1
Depreciation	260,907	256,134	253,419	1.9
Total operating expenses	7,460,984	7,325,622	7,090,770	1.8
Operating loss	(347,830)	(442,534)	(650,205)	(21.4)
Nonoperating expenses, net	(86,108)	(78,242)	(91,922)	10.1
Loss before other changes in net deficit	(433,938)	(520,776)	(742,127)	16.7
Other changes in net deficit – capital contributions	174,977	200,270	262,488	(12.6)
Increase in net deficit	(258,961)	(320,506)	(479,639)	(19.2)
Net deficit, beginning of year	(849,880)	(529,374)	(49,735)	(60.5)
Net deficit, end of year	$ (1,108,841)	(849,880)	(529,374)	(30.5)%

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Management's Discussion and Analysis

June 30, 2012 and 2011

This section of New York City Health and Hospitals Corporation's (the Corporation) annual financial report presents management's discussion and analysis of the financial performance during the years ended June 30, 2012 and 2011. The purpose is to provide an objective analysis of the financial activities of the Corporation based on currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements, which follow this section.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis and the financial statements.

The financial statements include balance sheets, statements of revenues, expenses, and changes in net deficit statements of cash flows, and notes to financial statements. These statements present, on a comparative basis, the financial position of the Corporation at June 30, 2012 and 2011, the end of the fiscal year, and the changes in net deficit and its financial activities for each of the years then ended. The balance sheets include all of the Corporation's assets and liabilities in accordance with U.S. generally accepted accounting principles. The statements of revenues, expenses, and changes in net deficit present each year's activities on the accrual basis of accounting, that is, when services are provided or obligations are incurred, not when cash is received or bills are paid. The financial statements also report the Corporation's net deficit and how they have changed. Net deficit, or the difference between assets and liabilities, is one way to measure the Corporation's financial health or position. The statements of cash flows provide relevant information about each year's cash receipts and cash payments and classify them as to operating, noncapital financing, capital and related financing, and investing activities. Notes to financial statements explain information in the statements and provide more detailed data.

Overall Financial Position and Operations

The Corporation's total net deficit increased by $259.0 million from June 30, 2011 to June 30, 2012; it had increased by $320.5 million from June 30, 2010 to June 30, 2011. Net assets invested in capital assets, net of related debt, increased by $84.2 million and $103.1 million in 2012 and 2011, respectively, as the Corporation continued to upgrade its facilities and pay down debt. The Corporation's unrestricted net deficit increased to $3.404 billion at June 30, 2012 from $3.051 billion at June 30, 2011. The Corporation incurred an operating loss of $347.8 million in 2012 compared with $442.5 million in 2011. The Corporation's net deficit position benefited from $173.6 million and $198.2 million in capital asset contributions from the City of New York (the City) in 2012 and 2011, respectively.

Significant financial ratios are as follows:

	2012	2011	2010
Current ratio	1.66	1.72	1.67
Quick ratio	1.11	0.96	0.79
Days cash on hand	56.92	53.38	36.52
Net days revenue in patient receivables	56.44	52.28	55.51

The current ratio, quick ratio, and days cash on hand are common liquidity indicators. The Corporation's current ratio has decreased slightly from 2011 to 2012 and increased slightly from 2010 to 2011 and remains at a fairly high level for the healthcare industry. The quick ratio and days cash on hand increased from 2011 to 2012 as cash

and cash equivalents increased $87.4 million and increased from 2010 to 2011 due primarily to a $358.1 million increase in cash and cash equivalents. The net days revenue in patient receivables is an indicator of how quickly the Corporation collects its patient receivables.

Significant Variances in Financial Statements

In this section, the Corporation explains the reasons for certain financial statement items with variances relating to 2012 amounts compared to 2011 and, where appropriate, 2011 amounts compared to 2010.

Balance Sheets

Cash and cash equivalents – increased $87.4 million from June 30, 2011 to June 30, 2012 due to positive operating results from MetroPlus. Cash and cash equivalents increased $358.1 million from June 30, 2010 to June 30, 2011 due to maintaining positive cash flows from net increases in the Upper Payment Limit (UPL), Disproportionate Share (DSH) and DSH Maximization payments of $287.2 million, and $170.0 million in increased MetroPlus cash balances.

U.S. government securities – remained fairly constant at June 30, 2012, 2011, and 2010. U.S. government securities represent MetroPlus' investments.

Patient accounts receivable, net – increased $21.1 million from 2011 to 2012 due to inpatient delayed third party payments and outpatient increased revenue not yet collected. Patient accounts receivable, net decreased $36.2 million from 2010 to 2011 due to a better collection experience.

Premiums receivable – increased $63.8 million from June 30, 2011 to June 30, 2012 due to the accrual of unpaid Supplemental Medicaid Managed Care allocations. Premiums receivable decreased $52.8 million from June 30, 2010 to June 30, 2011 due to the receipt of Medicaid premiums during 2011 that were accrued for during 2010.

Estimated third-party payor settlements, net – decreased $137.8 million from June 30, 2011 to June 30, 2012 primarily due to collections and change of estimate of prior year's UPL receivables, and was consistent from June 30, 2010 to June 30, 2011.

Estimated pools receivable (payable), net – estimated pools receivable, net, decreased $276.9 million from June 30, 2011 to June 30, 2012 primarily due to the receipt of State Fiscal Years' 2011 and 2012 DSH Max and a reduction to the State Fiscal Year 2012 allocation. The Corporation recognized DSH Max revenue of $412.4 million and $550.5 million at June 30, 2012 and 2011, respectively. Estimated pools receivable, net, increased from reporting a payable of $191.5 million at June 30, 2010 to a receivable of $509.7 million at June 30, 2011. This net increase of $701.2 million was due to the recording of $550.5 million of annual DSH Maximization receivable and $330.0 million of DSH for 2011.

Grants receivable – increased $35.8 million from June 30, 2011 to June 30, 2012 due to the timing of billing for the Medicaid Administration grant ($18.6 million) and HEAL NY program ($12.3 million). Grants receivable remained constant from 2010 to 2011.

Assets restricted as to use – decreased $54.6 million from June 30, 2011 to June 30, 2012 due to use of the Construction Fund for various capital projects. Assets restricted as to use increased $189.0 million from June 30,

2010 to June 30, 2011 due to the issuance of the 2010 bonds for which $190.3 million is held in the construction fund.

Other current assets – increased $114.9 million due to medical resident FICA refunds in the amount of $94.2 million and increase in the amounts owed under affiliation agreements in the amount of $11.7 million. Other current remained consistent from 2010 to 2011.

Capital assets, net – increased $135.0 million from 2011 to 2012 and $64.2 million from 2010 to 2011. This was due to major modernization projects at Harlem Hospital Center and Gouverneur Healthcare Services, as well as entering into a capital lease and construction on the North General Hospital Center property (see note 7(j) to the financial statements).

Accrued salaries, fringe benefits, and payroll taxes – decreased $49.4 million from June 30, 2011 to June 30, 2012 due to decreases in prior year collective bargaining estimates. Accrued salaries, fringe benefits, and payroll taxes increased $94.7 million from June 30, 2010 to June 30, 2011 due to increased collective bargaining accruals of $55.1 million and vacation, holiday, and sick accruals of $13.0 million.

Accounts payable and accrued expenses – increased $63.1 million from June 30, 2011 to June 30, 2012 due to increases in MetroPlus claims payable and Medicare premiums paid in advance. Accounts payable and accrued expenses increased $26.5 million from June 30, 2010 to June 30, 2011 due primarily to increases of $13.8 million in MetroPlus claims payable for continued membership increases and higher reimbursement rates.

Due to City of New York – decreased $35.7 million from June 30, 2011 to June 30, 2012 primarily due to the decrease in medical malpractice during 2012. Due to the City increased $45.5 million from June 30, 2010 to June 30, 2011 due to an increase of $21.1 million due to the City for medical malpractice and an increase of $16.0 million for fringe benefits.

Long-term debt – decreased $13.1 million from June 30, 2011 to June 30, 2012 primarily due to the payment of current debt obligations during fiscal year 2012 and offset by the recording of the North General capital lease (see note 7 to the financial statements). Long-term debt increased $133.7 million from June 30, 2010 to June 30, 2011 primarily due to the issuance of the 2010 Series A bonds in fiscal year 2011 (see note 7 to the financial statements) offset by the Corporation's required debt service payments on its remaining bonds.

Postemployment benefits obligation, other than pension – increased $209.9 million from June 30, 2011 to June 30, 2012 and increased $531.2 million from June 30, 2010 to June 30, 2011 as the Corporation recognized its annual OPEB costs as determined by the New York City Office of the Actuary (see note 10 to the financial statements).

Other Current Liabilities – increased $36.1 million from June 30, 2011 and June 30, 2012 and represents amounts owed to medical residents for FICA refunds. There is no other current liabilities for June 30, 2011 and June 30, 2010.

Changes in Components of Net Assets (Deficit)

Invested in capital assets, net of related debt – increased $84.2 million from June 30, 2011 to June 30, 2012 as capital assets, net, increased by $135.0 million, related assets restricted as to use decreased by $63.8 million, and

related debt decreased by $13.1 million. Invested in capital assets, net of related debt increased $103.1 million from June 30, 2010 to June 30, 2011 as capital assets, net, increased by $64.3 million, related assets restricted as to use increased by $172.5 million, and related debt increased by $133.7 million.

Restricted – increased $9.2 million from June 30, 2011 to June 30, 2012 due to $5.4 million increase to the MetroPlus statutory reserve for increased membership and related cost and $4.3 million increase in the revenue fund under bond resolution. Restricted net assets increased $16.5 million from 2010 to 2011 due to $5.6 million payment resulting from the termination of the AIG Guaranteed Investment Contract (GIC) for the 1999 and 2003 Series A bonds Capital Reserve Fund and $7.6 million increase to the MetroPlus statutory reserve for increased membership and related cost.

Unrestricted – net asset activities, other than those mentioned above, resulted in decreases of $352.4 million and $440.1 million for years 2012 and 2011, respectively. Please see the statements of revenues, expenses, and changes in net deficit.

Capital Assets, Net and Long-Term Debt Activity

Capital Assets, Net

At June 30, 2012, the Corporation had capital assets, net of accumulated depreciation, of $2.962 billion compared to $2.875 billion at June 30, 2011 and $2.811 billion at June 30, 2010, representing an increase of 3.0% from 2011 to 2012 and 2.3% from 2010 to 2011, as shown in the table below (in thousands of dollars):

		2012	2011	2010
Land and land improvements	$	24,160	24,445	17,621
Buildings and leasehold improvements		1,602,497	1,641,065	1,622,396
Equipment		709,025	703,226	710,371
Construction in progress		674,282	506,230	460,332
Total	$	3,009,964	2,874,966	2,810,720

2012's major capital asset additions included:

- Construction continued on the major modernization of Gouverneur Healthcare Services, with additional spending of approximately $36.9 million in 2012.
- Construction continued on the major modernization of Harlem Hospital Center, with additional spending of approximately $42.4 million in 2012
- Construction on the major modernization of North General Hospital Center with approximate spending of $28.2 million in 2012 and entering into a capital lease in the amount of $48.3 million.

2011's major capital asset additions included:

- Construction continued on the major modernization of Gouverneur Healthcare Services, with additional spending of approximately $41.2 million in 2011.

- Construction continued on the major modernization of Harlem Hospital Center, with additional spending of approximately $66.5 million in 2011.

2010's major capital asset additions included:

- Construction continued on the major modernization of Gouverneur Healthcare Services, with additional spending of approximately $32.1 million in 2011.
- Construction continued on the major modernization of Harlem Hospital Center, with additional spending of approximately $40.0 million in 2011.

The Corporation's 2013 capital budget projects spending of $308 million, which includes continuation of work on the major construction mentioned above. The 2013 capital budget is expected to be primarily financed by the Corporation's 2010 Series A bonds mentioned in note 7 to the financial statements, City General Obligation and Transitional Finance Authority Bonds, and other City funding.

More detailed information about the Corporation's capital assets is presented in note 5 to the financial statements.

Long-Term Debt

At June 30, 2012, the Corporation had approximately $1.0 billion in long-term debt financing relating to its capital assets, as shown with comparative amounts at June 30, 2011 and 2010 (in thousands of dollars):

		2012	2011	2010
Bonds payable	$	1,024,385	1,080,524	940,648
Capital lease obligation		75	175	275
New York Power Authority (NYPA) financing		2,101	3,050	4,940
Equipment and renovation financing		1,923	3,928	6,154
Clinical bed financing		6,866	8,983	10,942
North General capital lease obligation		48,258	—	—
Total	$	1,083,608	1,096,660	962,959

Since 2008, the Corporation in its refinancing efforts has shed most of its insured bonds. Currently, the Corporation's debt is 82% fixed with very little insured and 18% variable secured by letters of credit. The Corporation is rated Aa3, A+, and A+ by Moody's, S&P's, and Fitch, respectively, on more than 99% of its fixed rate bonds where no insurance exists. As of July 31, 2011, AGMC's ratings are Aa3 and AA- by Moody's and S&P's, respectively, and Ambac's rating was withdrawn by Moody's and S&P's. The variable rate bonds are secured by TD Bank's and JPMorgan Chase Bank's letters of credit. The Moody's, S&P's, and Fitch long-term/short-term ratings for TD Bank and JPMorgan Chase Bank are Aa2/P-1, AA-/A-1+, and AA-/F1+ and Aa3/P-1, A+/A-1, and A+/F1, respectively. There are no statutory debt limitations that may affect the Corporation's financing of planned facilities or services.

More detailed information about the Corporation's long-term debt is presented in note 7 to the financial statements.

Statements of Revenues, Expenses, and Changes in Net Deficit

Net patient service revenue – decreased $405.6 million from June 30, 2011 to June 30, 2012 reflecting the following: 1) decreased outpatient UPL revenue of $84.8 million; 2) decreased DSH Maximization of $138.3 million 3) decreased Supplemental Medicaid Managed Care funds of $84.5 million and 4) additional reserve for HMO Graduate Medical Education Case Mix adjustment of $36.0 million. Net patient service revenue increased $536.5 million from June 30, 2010 to June 30, 2011 reflecting the following: 1) increased revenue of $66.8 million inpatient UPL and $195.7 million outpatient UPL; 2) increased DSH Maximization of $174.3 million and Supplemental Medicaid Managed Care funds of $165.3 million.

Appropriations from (remittances to) City of New York, net – decreased $36.7 million from June 30, 2011 to June 30, 2012 due to an increase of $31.1 million in debt service payable to the City. Appropriations from (remittances to) the City, net, decreased $259.5 million from June 30, 2010 to June 30, 2011 and reflects the Corporation's intent to reimburse the City for 2011 malpractice expense of $142.6 million and debt service of $112.9 million.

Premium revenue – increased $612.6 million from June 30, 2011 to June 30, 2012 due to $340.0 million in additional pharmacy revenue. Based on the recommendation from New York State's Medicaid Redesign Team, the State added the pharmacy benefit to the Medicaid managed care plans contract. Additional increases are due to 5.0% growth in member months and 9.0% rate increase. Premium revenue increased $172.2 million from June 30, 2010 to June 30, 2011, or 15.6%, due to a 6.3% increase in MetroPlus member months and an approximate 8.0% net increase in rates.

Grants revenue – increased $36.0 million from June 30, 2011 to June 30, 2012 due to the addition of prisoner and uniform grants. Grants revenue was constant from June 30, 2010 to June 30, 2011.

Other revenue – increased 23.8 million from June 30, 2011 to June 30, 2012 due to interest earned on the medical resident FICA refunds. Other revenue was constant from June 30, 2010 to June 30, 2011.

Personal services – decreased $147.7 million, or approximately 5.7%, from June 30, 2011 to June 30, 2012 primarily due to adjustments of prior year's unpaid collective bargaining estimate and reductions of 471 employee full-time equivalents (FTEs) or 1.3%. Personal services decreased $28.3 million, or approximately 1.0%, from June 30, 2010 to June 30, 2011 primarily due to a decrease of 981 FTE's or 2.7%, and offset by various salary accruals.

Other-than-personal services – increased $490.8 million, or 25.0%, from June 30, 2011 to June 30, 2012 due to $340.0 million in additional MetroPlus pharmacy expenses along with 5.0% growth in member months and 9.0% rate increase. Other-than-personal services increased $126.8 million, or 6.9%, in 2011 compared to 2010, mainly due to MetroPlus' membership growth and higher inpatient reimbursement levels resulting in increased medical expenses of $93.2 million.

Fringe benefits and employer payroll taxes – increased $77.9 million from June 30, 2011 to June 30, 2012 primarily for health benefit increases of $34.8 million or 7.6% and pension increase of $92.2 million or 27.8%

offset by $30.5 million of medical resident FICA refunds. Fringe benefits and employer payroll taxes increased $83.6 million from June 30, 2010 to June 30, 2011 primarily for health benefit increases of $59.0 million or 14.8% and pension increase of $32.8 million or 11.0%.

Postemployment benefits, other than pension – decreased $317.4 million from June 30, 2011 to June 30, 2012 and increased $18.0 million from June 30, 2010 to June 30, 2011 as determined by the New York City Office of the Actuary, and is mainly due to assumptions for healthcare cost trends being updated to reflect recent past experience, and anticipated future experience, including the enactment of National Health Care Reform (see note 10 to the financial statements).

Affiliation contracted services – increased $27.0 million or 3.1% from June 30, 2011 to June 30, 2012 and increased $32.1 million or 3.9% from June 30, 2010 to June 30, 2011 due to market adjustments and enhanced services.

Investment income – is consistent from June 30, 2011 to June 30, 2012 as the Corporation benefited from an increased market value in the 2003 bond's capital reserve fund and increased $8.5 million from 2010 to 2011 primarily due to $5.6 million payment resulting from the termination of the AIG GIC for the 1999 and 2003 Series A bonds Capital Reserve Fund.

Capital contributions funded by City of New York – decreased $24.6 million from June 30, 2011 to June 30, 2012 and decreased $60.3 million from June 30, 2010 to June 30, 2011 due to additional capital funding sources available from the HEAL grant (Health Care Efficiency and Affordability Law of New York State) and HHC's 2010 bond proceeds.

Corporation Issues and Challenges

The Corporation is continually adjusting to the financial challenges that it faces. It is difficult to predict the impact on the Corporation of the following factors:

- Economic conditions and the related impact on City and State budgets and, consequently, the level of City support for the Corporation, that is, City appropriations, City capital contributions, and City grants;
- Future of Medicaid and Medicare reimbursement;
- Potential impact of healthcare reform initiatives;
- Rising medical costs;
- Potential changes in federal and state healthcare reimbursement regulations; and
- Continuous managed care market increase.

However, the Corporation is continuing to seek cost savings and revenue enhancement strategies by, among other things, implementing cost containment, restructuring, and process improvement plans that include clinical consolidations, managing acute care average length of stay, controlling employee staffing levels, reducing clinic wait times, renegotiating managed care contracts, centrally managed corporate contracts, and increasing clinic, primary care, and home healthcare visits. The Corporation continues to invest in technology with an eye towards

providing quality patient care and achieving increased efficiencies. Additionally, the Corporation works with the City's Human Resources Administration to enroll eligible patients in the Medicaid, Child Health Plus, and Family Health Plus programs.

Contacting the Corporation's Financial Management

This financial report provides the citizens of the City, HHC's patients, bondholders, and creditors with a general overview of the Corporation's finances and operations. If you have questions about this report or need additional financial information, please contact Ms. Marlene Zurack, Senior Vice President – Finance, New York City Health and Hospitals Corporation, 160 Water Street, Room 1014, New York, New York 10038.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Balance Sheets

June 30, 2012 and 2011

(In thousands)

Assets		2012	2011
Current assets:			
Cash and cash equivalents (note 2)	$	988,607	901,241
U.S. government securities		113,950	68,518
Patient accounts receivable, net (notes 4, 7, and 11)		471,302	450,258
Premiums receivable		121,831	58,006
Estimated third-party payor settlements, net (notes 4, 7, and 11)		337,778	475,640
Estimated pools receivable, net (notes 4, 7, and 11)		232,800	509,675
Grants receivable		112,519	76,742
Supplies		24,240	29,765
Assets restricted as to use and required for current liabilities (notes 6 and 7)		54,185	51,825
Other current assets		135,090	20,209
Total current assets		2,592,302	2,641,879
Assets restricted as to use, net of current portion (notes 6 and 7)		314,380	371,308
U.S. government securities		—	45,221
Capital assets, net (notes 5 and 7)		3,009,964	2,874,966
Deferred financing costs, net		9,764	11,379
Total assets	$	5,926,410	5,944,753
Liabilities and Net Assets (Deficit)			
Current liabilities:			
Current installments of long-term debt (note 7)	$	58,083	56,996
Accrued salaries, fringe benefits, and payroll taxes		732,118	751,026
Accounts payable and accrued expenses (notes 12 and 14)		489,904	426,757
Due to City of New York, net (note 8)		171,653	207,374
Current portion of postemployment benefits obligation, other than pension (note 10)		99,700	94,400
Other current liabilities		36,115	—
Total current liabilities		1,587,573	1,536,553
Long-term debt, net of current installments (note 7)		1,025,525	1,039,664
Postemployment benefits obligation, other than pension, net of current portion (note 10)		4,422,153	4,218,416
Total liabilities		7,035,251	6,794,633
Commitments and contingencies (note 11)			
Net assets (deficit):			
Invested in capital assets, net of related debt		2,059,253	1,975,015
Restricted:			
For debt service		159,714	156,332
Expendable for specific operating activities		9,129	8,719
Nonexpendable permanent endowments		928	928
For statutory reserve requirements		65,896	60,448
Unrestricted		(3,403,761)	(3,051,322)
Total net assets (deficit)		(1,108,841)	(849,880)
	$	5,926,410	5,944,753

See accompanying notes to financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Statements of Revenues, Expenses, and Changes in Net Deficit

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Operating revenues:			
Net patient service revenue (notes 4 and 7)	$	4,909,800	5,315,360
Appropriations from (remittances to) City of New York, net (note 11)		(9,140)	27,593
Premium revenue (note 13)		1,891,996	1,279,390
Grants revenue		249,227	213,226
Other revenue		71,271	47,519
Total operating revenues		7,113,154	6,883,088
Operating expenses:			
Personal services		2,435,381	2,583,078
Other than personal services		2,454,878	1,964,049
Fringe benefits and employer payroll taxes		1,122,217	1,044,293
Postemployment benefits, other than pension (note 10)		303,165	620,601
Affiliation contracted services		884,436	857,467
Depreciation (note 5)		260,907	256,134
Total operating expenses		7,460,984	7,325,622
Operating loss		(347,830)	(442,534)
Nonoperating revenues (expenses):			
Investment income		11,978	14,069
Interest expense		(98,678)	(92,868)
Contributions restricted for specific operating activities		592	557
Total nonoperating expenses, net		(86,108)	(78,242)
Loss before other changes in net deficit		(433,938)	(520,776)
Other changes in net deficit:			
Capital contributions funded by City of New York		173,608	198,192
Capital contributions funded by grantors and donors		1,369	2,078
Total other changes in net deficit		174,977	200,270
Increase in net deficit		(258,961)	(320,506)
Net deficit at beginning of year		(849,880)	(529,374)
Net deficit at end of year	$	(1,108,841)	(849,880)

See accompanying notes to financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

	2012	2011
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 5,303,493	5,368,302
Cash appropriations received from City of New York	126,688	200,920
Cash appropriations remitted to City of New York	(169,484)	(136,261)
Cash received from premiums and stop-loss insurance recoveries	1,828,171	1,332,199
Receipts from grants	213,450	197,361
Other receipts	34,718	52,436
Cash paid for personal services, fringe benefits, and employer payroll taxes	(3,701,452)	(3,622,108)
Cash paid for other than personal services	(2,395,884)	(1,930,033)
Cash paid for affiliation contracted services	(888,891)	(855,154)
Net cash provided by operating activities	350,809	607,662
Cash flows from noncapital financing activity:		
Proceeds from contributions restricted for specific operating activities	592	557
Net cash provided by noncapital financing activity	592	557
Cash flows from capital and related financing activities:		
Purchase of capital assets	(304,549)	(282,031)
Capital contributions by grantors and donors	1,369	2,078
Capital contributions by City of New York	173,608	198,192
Cash paid for retainage and construction accounts payable	(871)	(871)
Payments of long-term debt	(57,001)	(71,090)
Proceeds from issuance of long-term debt	—	560,227
Refunding of long-term debt	—	(355,436)
Cash paid for deferred financing costs	—	(3,281)
Interest paid	(143,338)	(122,293)
Net cash used in capital and related financing activities	(330,782)	(74,505)
Cash flows from investing activities:		
Purchases of assets restricted as to use	(170,423)	(378,808)
Sales of assets restricted as to use	237,457	193,293
Cash invested in U.S. government securities	(96,236)	(141,021)
Cash received from sales and maturities of U.S. government securities	96,025	140,204
Loan repayments from affiliates	—	—
Interest received	(76)	10,745
Net cash provided by (used in) investing activities	66,747	(175,587)
Net increase in cash and cash equivalents	87,366	358,127
Cash and cash equivalents at beginning of year	901,241	543,114
Cash and cash equivalents at end of year	$ 988,607	901,241
Supplemental disclosures:		
Capital lease incurred	$ 48,258	—
Change in fair value of assets restricted as to use	6,263	1,971

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands)

		2012	2011
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(347,830)	(442,534)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		260,907	256,134
Provision for bad debts		591,934	510,142
Changes in assets and liabilities:			
Patient accounts receivable, net		(612,978)	(473,935)
Premiums receivable		(63,825)	52,809
Estimated third-party payor settlements, net		137,862	717,910
Estimated pools receivable (payable), net		276,875	(701,175)
Grants receivable		(35,777)	(15,865)
Supplies and other current assets		(109,351)	7,747
Accrued salaries, fringe benefits, and payroll taxes		(18,908)	94,720
Accounts payable and accrued expenses		62,469	25,011
Due to City of New York		(35,721)	45,517
Other liabilities		36,115	—
Postemployment benefits obligation, other than pension		209,037	531,181
Net cash provided by operating activities	$	350,809	607,662

See accompanying notes to financial statements.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

Organization

On July 1, 1970, the New York City Health and Hospitals Corporation (the Corporation), a New York State (the State) public benefit corporation created by Chapter 1016 of the Laws of 1969, assumed responsibility for the operation of the municipal hospital system of the City of New York (the City) pursuant to an agreement with the City dated June 16, 1970 (the Agreement). As a main element of its core mission, the Corporation provides, on behalf of the City, comprehensive medical and mental health services to City residents regardless of ability to pay. The Corporation operates eleven acute care hospitals, five long-term care facilities, six freestanding diagnostic and treatment centers, many hospital-based and neighborhood clinics, a certified home health agency, and MetroPlus Health Plan, Inc. (MetroPlus), a prepaid health services provider (PHSP). The Corporation's facilities are organized into seven vertically integrated healthcare networks that provide the full continuum of care – primary and specialty care, inpatient acute, outpatient, long-term care, and home health services – under a single medical and financial management structure. The networks were established to improve efficiencies through interfacility coordination.

The Corporation is a component unit of the City, and accordingly, its financial statements are included in the City's Comprehensive Annual Financial Report.

- MetroPlus is a public benefit corporation created by the Corporation. The Corporation is the sole member. MetroPlus contracts primarily with Corporation facilities for the purpose of providing managed healthcare services on a prepaid basis and establishing and operating organized healthcare maintenance and delivery systems. MetroPlus has a contractual agreement with the City Department of Health, Division of Healthcare Access, to provide comprehensive medical services to Medicaid recipients (members). Additionally, Corporation employees can elect MetroPlus healthcare coverage as part of their employee benefits. MetroPlus provides Child Health Plus (CHP), Family Health Plus (FHP), and HIV Special Needs Plan (HIV-SNP) coverage through a State Department of Health (DOH) contract. MetroPlus has contracted with Centers for Medicare & Medicaid Services (CMS) and DOH to offer Medicare coverage to individuals, who are dually eligible for benefits under Medicare and New York State Medicaid. Beneficiaries have the option of selecting MetroPlus or the State as their Medicaid coverage provider.
- HHC Capital Corporation (HHC Capital) was created by the Corporation as a public benefit corporation, of which the Corporation is the sole member, in 1993 in order to secure its 1993 Series A bonds. The sole purpose of HHC Capital is to accept all payments assigned to it by the Corporation and its providers and remit monthly, from such assigned payments, amounts required for debt service on the 1999, 2002, 2003, 2008, and 2010 Bond issues to the bond trustee, with the balance transferred to the Corporation.
- In May 2001, the Corporation established The HHC Foundation of New York City, Inc. (HHC Foundation), a closely affiliated not-for-profit corporation, wherein as of June 30, 2011, three of the seven HHC Foundation's board of directors are Corporation representatives. The main purpose of the HHC Foundation, as a 501(c)(3) organization under the Internal Revenue Code, is to inspire community philanthropy in order to further expand access to quality healthcare and services for the

Corporation's patients. HHC Foundation raises private support for critically important programs that serve unmet needs of the Corporation's diverse patient population.

As of July 1, 2011, the Corporation dissolved the HHC Foundation while continuing to coordinate and conduct activities consistent with the HHC Foundation's charitable purposes and the mission of the Corporation. The operation, assets, and liabilities of the HHC Foundation were transferred to the Corporation effective with the dissolution on July 1, 2011 and had no material impact on the Corporation's financial statements.

- HHC Insurance Company, Inc. (HHC Insurance) was created by the Corporation as a public benefit corporation, of which the Corporation is the sole member, in 2003. HHC Insurance is a domestic captive insurance company that underwrites medical malpractice insurance for the Corporation's attending physicians practicing in the areas of Neurosurgery, Obstetrics, and Gynecology. HHC Insurance also provides excess insurance coverage through the New York State Excess Liability Pool (State Pool). HHC Insurance obtained its license from the New York State Department of Insurance to commence operations on December 15, 2004.

HHC Insurance commenced operations on January 1, 2005. HHC Insurance provides the insured with indemnity insurance coverage on a claims-made basis for the first $1.3 million per incident and $3.9 million in the aggregate on each claim. With the existence of this insurance coverage, the insured is able to access $1.0 million per incident and $3.0 million in the aggregate of excess insurance coverage provided by the Medical Malpractice Insurance Pool of New York (MMIP) for each claim greater than $1.3 million per incident and $3.9 million in the aggregate. During 2007, HHC Insurance began participation in MMIP. MMIP is the insurer of last resort for medical malpractice coverage in the State and is a joint underwriting facility, not a separate legal entity. The members of MMIP are all the licensed medical malpractice carriers in New York State. As an MMIP member, HHC Insurance recognizes its allocable share of the premium, loss, underwriting expense, and administrative expense activities of MMIP.

- During 2003, the HHC Physicians Purchasing Group, Inc. (HHC Physicians), a public benefit corporation, was formed to purchase medical malpractice insurance for the Corporation's physicians from HHC Insurance. The Corporation is the sole member of HHC Physicians. HHC Physicians is registered and approved for operations by the New York State Department of Insurance on August 31, 2005.
- HHC Risk Services Corporation (HHC Risk), a public benefit corporation, was granted a license on December 30, 2003 to operate by the Vermont Department of Banking, Insurance, Securities and Health Care Administration. The Corporation is the sole member of HHC Risk. HHC Risk is inactive.

The creation of HHC Insurance, HHC Physicians, and HHC Risk by the Corporation does not alter the indemnification by the City of the Corporation's malpractice settlements under the Agreement (see note 11(b)).

- During June 2012, HHC ACO Inc., a wholly owned subsidiary public benefit corporation of HHC was formed as an Accountable Care Organization (ACO) for purposes of applying to the federal

Centers for Medicare and Medicaid Services (CMS) to participate in the Medicare Shared Savings Program (MSSP).

An ACO is a healthcare reform model authorized in the Patient Protection and Affordable Care Act of 2010, involving groups of doctors, hospitals, and other healthcare providers to collaboratively coordinate high-quality care to the patients they serve. When an ACO succeeds in delivering high-quality care at lower cost, it will share in the savings it achieves for the Medicare program, which savings are then distributed among the ACO participants. The MSSP (also authorized by the Patient Protection and Affordable Care Act) is a three-year program in which ACOs will be responsible for the care of a defined group of Medicare Fee-For-Service beneficiaries. The next available start date for participation is January 1, 2013.

MetroPlus and HHC Insurance issue separate annual financial statements, which are available through the Office of the Corporate Comptroller, 160 Water Street, Room 636, New York, New York 10038.

The Corporation's significant accounting policies are as follows:

(a) Basis of Presentation

The financial statements of the Corporation include the accounts of the Corporation and its blended component units, HHC Capital, MetroPlus, and HHC Insurance. HHC Foundation is also included in the financial statements at June 30, 2011 and for the year then ended as a blended component unit because it existed for the benefit of the Corporation. All significant intercompany balances and transactions have been eliminated.

The Corporation's financial statements are prepared in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, states that proprietary activities may elect to apply the provisions of Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Corporation has elected to follow GASB pronouncements exclusively after that date.

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

(b) Assets Restricted as to Use

Assets restricted as to use primarily include assets held by a trustee under bond resolutions and statutory reserve investments. Amounts required to meet current liabilities of the Corporation have been classified as current assets in the balance sheets at June 30, 2012 and 2011. Assets restricted as to use are stated at fair value, which approximates cost, with unrealized gains and losses included in investment income.

Donor-restricted net assets are used to differentiate resources, the use of which is restricted by donors, from resources of unrestricted assets on which donors or grantors place no restriction or that

arise as a result of the operations of the Corporation for its stated purposes. Donor-restricted net assets represent contributions to provide healthcare services, of which $928,000 are held in perpetuity at June 30, 2012 and 2011. Resources restricted by donors for plant replacement and expansion are added to the invested in capital assets, net of related debt, net asset balance to the extent expended within the period. Resources restricted by donors for specific operating activities are reported as nonoperating revenue. The Corporation utilizes available donor-restricted assets on a limited basis before utilizing unrestricted resources for expenses incurred.

(c) U.S. Government Securities

U.S. government securities consist of U.S. Treasury bills and U.S. Treasury notes. Such securities are stated at fair value, with unrealized gains and losses included in investment income. Securities maturing within a year are presented as current assets in the balance sheets. Securities presented as noncurrent assets mature after a year.

Possible exposure to fair value losses arising from interest rates volatility is limited by investing in securities with maturities of less than one year and, at most, three years, and by intending to hold the security to maturity.

As of June 30, the Corporation had the following U.S. government securities (in thousands):

Year	Investment type	Fair value	Investment maturities (in years)	
			Less than 1	1 to 2
2012	U.S. Treasury bills and notes	$ 113,950	113,950	—
2011	U.S. Treasury bills and notes	$ 113,739	68,518	45,221

(d) Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy at amounts less than its charges or established rates. The Corporation does not pursue collection of amounts determined to qualify as charity care, and they are not reported as revenue.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Excluding the change in estimate pertaining to net patient service revenue, the change in estimate relating to collective bargaining was a net decrease to fringe benefits and employer payroll taxes for approximately $47.5 million for the year ended June 30, 2012.

(f) Statements of Revenues, Expenses, and Changes in Net Deficit

All transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are considered to be operating activities and are reported as operating revenues and operating expenses. Investment income, interest expense, and peripheral or incidental transactions are reported as nonoperating revenues and expenses. Other changes in net deficit, which are excluded from loss before other changes in net deficit, consist of contributions of capital assets funded by the City, grantors, and donors.

(g) Patient Accounts Receivable and Net Patient Service Revenue

The Corporation has agreements with certain third-party payors that provide for payments at amounts different from its charges or established rates. Payment arrangements include prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated third-party payor settlements resulting from audits, reviews, and investigations. These estimated third-party payor settlements are accrued in the period the related services are rendered and adjusted in future periods as revised information becomes known or as years are no longer subject to such audits, reviews, and investigations. Net patient service revenue is reported net of the provision for bad debts of $591.9 million in 2012 and $510.1 million in 2011.

The allowance for doubtful patient accounts is the Corporation's estimate of the amount of probable credit losses in its patient accounts receivable. The Corporation determines the allowance based on collection studies and historical write-off experience. Past-due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for estimated doubtful accounts at June 30, 2012 and 2011 was approximately $716.3 million and $590.2 million, respectively.

(h) Premiums Receivable and Premium Revenue

Premiums earned are recorded in the month in which members are entitled to service. Medicaid and FHP premiums are based upon the age, and aid category of the enrollee, and plan premium rates are risk adjusted to reflect historical experience. In addition, Medicaid makes one-time maternity and newborn supplemental payments for the delivery of each child born to a member of MetroPlus. Medicaid, CHP, FHP, and HIV-SNP premium revenue received from the State represents a substantial portion of MetroPlus' premium revenues, and is subject to audit and adjustment by the DOH.

The related costs of healthcare and claims payable for healthcare services provided to enrollees are estimated by management based on the current value of the estimated liability for claims in process, unpaid primary care capitation, and incurred but not reported claims. The Corporation estimates the amount of incurred but not reported or paid claims on an accrual basis and adjusts in future periods as required.

(i) Appropriations from (Remittances to) City of New York

Funds appropriated from the City are payments, either directly or indirectly, for services rendered by the Corporation. The City pays for patient care rendered to prisoners, uniformed city employees, and various discretely funded facility-specific programs. The Corporation considers appropriations from (remittances to) the City to be ongoing and central to the provision of healthcare services and, accordingly, classifies them as operating revenues.

The Corporation records both revenues and expenses in an amount equal to expenditures made on its behalf by the City, that is, settlements of claims for medical malpractice, negligence, other torts, and alleged breach of contracts (see note 11(b)); interest on City General Obligation debt that funded Corporation capital acquisitions; interest on New York State Housing Finance Agency (HFA) debt on Corporation assets acquired through lease purchase agreements prior to April 1, 1993; and interest on Dormitory Authority of the State of New York (DASNY) debt and Transitional Finance Authority (TFA) debt on assets acquired through lease purchase agreements, other than amounts capitalized during construction (see note 5).

The Corporation typically reimburses the City for medical malpractice settlements, negligence, and other torts the City pays on behalf of the Corporation, up to an agreed-upon amount negotiated annually. In 2012 and 2011, the medical malpractice and general liability settlements paid by the City were $118.8 million and $142.6 million, respectively, and the Corporation has agreed to reimburse the City $118.8 million and $142.6 million in 2012 and 2011, respectively. The reimbursements to the City are recorded by the Corporation as a reduction of appropriations from (remittances to) the City. Such medical malpractice, negligence, and other torts reimbursements by the Corporation do not alter the indemnification by the City of the Corporation's malpractice settlements under the Agreement (see note 11(b)).

In 2012 and 2011, respectively, the Corporation paid the City $144.0 million and $112.9 million, respectively, for debt service related to debt incurred by the City, which funded Corporation capital acquisitions. These debt service reimbursements to the City are recorded by the Corporation as a reduction of appropriations from (remittances to) the City.

(j) Capital Assets and Depreciation

In accordance with the Agreement, the City retains legal title to all Corporation facilities and certain equipment and subleases them to the Corporation for an annual rent of $1. Prior to April 1, 1993, the City funded substantially all of the additions to capital assets.

Since April 1, 1993, the Corporation has funded much of its capital acquisitions through the issuance of its own debt. However, the City financed the major modernizations of Harlem, Queens, Jacobi, Coney Island, Bellevue and Kings County Hospitals and Gouverneur Healthcare Services and North General campus.

The Corporation is the sole beneficiary as to use of the capital assets and is responsible for their control and maintenance. Accordingly, capital assets have been capitalized in the accompanying balance sheets as follows:

(i) Assets placed in service through June 30, 1972 were recorded at an estimated cost as determined by an independent appraisal company's physical inventory and valuation of such assets as of June 30, 1972.

(ii) Assets acquired subsequent to June 30, 1972 are recorded at cost.

(iii) Donated equipment is recorded at its fair market value at date of donation.

Construction in progress (CIP) is recorded on all projects under construction. Such CIP costs are transferred to depreciable assets and depreciated when the related assets are placed in service. Interest cost incurred on borrowed funds, net of related interest income, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Depreciation is computed on a straight-line basis using estimated useful lives in accordance with American Hospital Association guidelines:

Land improvements	2 to 25 years
Buildings and leasehold improvements	5 to 40 years
Equipment	3 to 25 years

Capital assets under capital lease obligations are depreciated over either the lease term or the estimated useful life.

(k) Custodial Funds

The Corporation holds funds for safekeeping, primarily cash held for the benefit of its long-term care patients, amounting to approximately $4.9 million as of June 30, 2012 and $4.6 million as of June 30, 2011. These amounts are included in other current assets and accrued expenses in the accompanying balance sheets. At June 30, 2012 and 2011, all custodial funds related bank balances are fully insured.

(l) Affiliation Contracted Services

The Corporation contracts with affiliated medical schools/professional corporations to provide patient care services at its facilities and reimburses the affiliate for expenses incurred in providing such services. Under the terms of the contract, the affiliate is required to furnish the Corporation with an independent audit report of receipts, workload and non-workload expenditures, and commitments chargeable to the contract and refunds any excess advances or adjusts future payments depending upon the final settlement amount for reimbursable expenses for the fiscal year. The affiliate's reported expenditures are also subject to subsequent audit by the Corporation's Internal Audit Department.

The amounts due to/from the affiliates are based upon estimates of expenses, which include adjustments for patient care service modifications, and are included in accounts payable and accrued expenses/other current assets in the accompanying balance sheets. These estimates may differ from the final determination of amounts due to/from the affiliate upon completion of the annual recalculation schedule.

(m) Supplies

Supplies are stated at the lower of cost (first-in, first-out method) or market (net realizable value).

(n) Income Taxes

The Corporation and its component units are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

(o) Deferred Financing Costs

Deferred financing costs represent expenditures incurred during bond issuances (i.e., insurance, underwriters' discount, etc.) and are being amortized over the respective terms of the issues.

(p) Grants Receivable

Grants receivable relate to various healthcare provision programs under contract with the State and other grantors. Grants receivable also include grants from the City, which are reimbursement to the Corporation for providing such services as mental health, child health, and HIV-AIDS services.

(q) Net Assets (Deficit)

Net assets of the Corporation are classified in various components. *Net assets invested in capital assets, net of related debt* consist of capital assets net of accumulated depreciation and reduced by outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Corporation, including amounts deposited with trustees as required by revenue bond indentures, discussed in note 6(a). *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Restricted for statutory reserve requirements* are MetroPlus' investments required by the New York State Department of Health regulations for the protection of MetroPlus' enrollees. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets, net of related debt or restricted*.

(r) Compensated Absences

The Corporation's employees earn vacation and holiday days at varying rates depending on years of service and title. Generally, vacation and holiday time may accumulate up to specified maximums, depending on title. Excess vacation and holiday time are converted to sick leave. Upon resignation or retirement, employees are paid for unused vacation and holiday days, most at the current rate. Most employees accrue sick leave at a fixed rate; however, the rate can vary depending on years of service

and the contractual terms for their title. There is no accumulation limit on sick leave. Depending on length of service and contractual terms for their title, employees separating from service are paid for sick leave at varying rates.

(2) Cash and Cash Equivalents

Cash and cash equivalents consist principally of a money market account and securities purchased under repurchase agreements stated at cost, which approximates fair value, because of their short-term maturities. The money market account is collateralized in excess of its carrying value by U.S. government securities in the name of the Corporation. The repurchase agreements are collateralized in excess of their carrying value by U.S. government securities in the name of the Corporation and held by a custodian. The Corporation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation's policy to mitigate custodial credit risk is to collateralize all balances available (i.e., collected balances). Deposits in the process of collection within the banking system are not collateralized. At June 30, 2012 and 2011, all Corporation cash and cash equivalents bank balances were either insured or collateralized.

(3) Charity Care

The Corporation maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services furnished under its charity care policy and the estimated cost of those services. The following information measures the level of charity care provided during the years ended June 30 (in thousands):

	2012	2011
Charges forgone, based on established rates	$ 1,008,017	974,523
Estimated expenses incurred to provide charity care	643,463	618,413

(4) Patient Accounts Receivable and Revenue

Most of the Corporation's net patient service revenue is from funds received on behalf of patients under governmental health insurance plans. Revenue from these governmental plans is based upon relevant reimbursement principles and is subject to audit by the applicable payors. Certain payors have performed audits and have proposed various disallowances, which other payors may similarly assert.

Included in net patient service revenue are adjustments to prior year estimated third-party payor settlements and estimated pools receivable that were originally recorded in the period the related services were rendered. The adjustments to prior year estimates and other third-party reimbursement receipts or recoveries that relate to prior years resulted in a decrease to net patient service revenue of $2.5 million for the year ended June 30, 2012 and an increase to net patient service revenue of $54.7 million for the year ended June 30, 2011.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION
(A Component Unit of the City of New York)

Notes to Financial Statements

June 30, 2012 and 2011

Net patient service revenue for the years ended June 30, 2012 and 2011 is as follows (in thousands):

	2012		2011	
Medicaid	$ 1,858,865	37.9%	$ 2,216,301	41.7%
Medicare	694,479	14.1	666,926	12.5
Bad debt/charity care pools	440,984	9.0	437,226	8.2
DSH supplemental pool	742,525	15.1	880,475	16.6
Other third-party payors that include Medicaid and Medicare managed care	1,124,284	22.9	1,069,053	20.1
Self-pay	48,663	1.0	45,379	0.9
	$ 4,909,800	100.0%	$ 5,315,360	100.0%

The Corporation recorded $742.5 million and $880.5 million for DSH from the State in 2012 and 2011, respectively. DSH payments are made to healthcare facilities that provide a large amount (or disproportionate share) of uncompensated care and/or care to Medicaid beneficiaries. These healthcare facilities, such as the Corporation, receive special payments in recognition of the extra costs incurred in caring for these patients.

The Corporation provides services to its patients, most of whom are insured under third-party payor agreements. Patient accounts receivable, net were as follows as of June 30 (in thousands):

	2012		2011	
Medicaid	$ 196,436	41.7%	$ 199,410	44.3%
Medicare	70,195	14.9	63,356	14.1
Other third-party payors, that include Medicaid and Medicare managed care	187,277	39.7	172,175	38.2
Self-pay	17,394	3.7	15,317	3.4
	$ 471,302	100.0%	$ 450,258	100.0%

(5) Capital Assets

Capital assets consist of the following as of June 30 (in thousands):

	2012	2011
Land and land improvements	$ 50,396	49,628
Buildings and leasehold improvements	3,356,143	3,298,379
Equipment	3,127,058	2,996,686
	6,533,597	6,344,693
Less accumulated depreciation	4,197,915	3,975,957
	2,335,682	2,368,736
Construction in progress	674,282	506,230
Capital assets, net	$ 3,009,964	2,874,966

Capital assets activity for the years ended June 30, 2012 and 2011 was as follows (in thousands):

	Land and land improvements	Buildings and leasehold improvements	Equipment	Construction in progress	Total
June 30, 2010 balance	$ 41,978	3,184,716	2,887,429	460,332	6,574,455
Acquisitions, net of transfers	7,885	115,075	151,522	45,898	320,380
Sales, retirements, and adjustments	(235)	(1,412)	(42,265)	—	(43,912)
June 30, 2011 balance	49,628	3,298,379	2,996,686	506,230	6,850,923
Acquisitions, net of transfers	965	59,630	167,323	168,052	395,970
Sales, retirements, and adjustments	(197)	(1,866)	(36,951)	—	(39,014)
June 30, 2012 balance	$ 50,396	3,356,143	3,127,058	674,282	7,207,879

Related information on accumulated depreciation for the years ended June 30, 2012 and 2011 was as follows (in thousands):

	Land and land improvements	Buildings and leasehold improvements	Equipment	Total
June 30, 2010 balance	$ 24,357	1,562,320	2,177,058	3,763,735
Depreciation expense	1,061	96,405	158,668	256,134
Sales, retirements, and adjustments	(235)	(1,411)	(42,266)	(43,912)
June 30, 2011 balance	25,183	1,657,314	2,293,460	3,975,957
Depreciation expense	1,251	98,197	161,459	260,907
Sales, retirements, and adjustments	(198)	(1,865)	(36,886)	(38,949)
June 30, 2012 balance	$ 26,236	1,753,646	2,418,033	4,197,915

The Corporation capitalizes interest costs incurred in connection with construction projects. Interest activity relating to construction projects and net capitalized interest for the years ended June 30, 2012 and 2011 was as follows (in thousands):

	2012	2011
Interest costs subject to capitalization	$ 41,085	37,918
Interest income	(417)	(108)
Capitalized interest costs, net	$ 40,668	37,810

The Corporation capitalized net interest costs on TFA debt and City General Obligation Bonds in both 2012 and 2011, as well as the Corporation's own bonds. Such debt was issued to finance construction of certain Corporation facilities, with such debt to be paid by the City on behalf of the Corporation. Such amounts capitalized in 2012 and 2011 approximated $37.2 million and $34.0 million, respectively. In addition, the Corporation capitalized net interest costs of $3.5 million in 2012 and $3.8 million in 2011 related to its 2008 and 2010 Series bonds.

(6) Assets Restricted as to Use

Assets restricted as to use consist of the following as of June 30 (in thousands):

	2012	2011
Under bond resolutions (a):		
Construction funds	$ 132,899	196,705
Capital reserve funds	99,793	100,700
Revenue funds	59,920	55,633
	292,612	353,038
MetroPlus statutory reserve investments (b)	65,896	60,448
By donors for specific operating activities and permanent endowments (c)	10,057	9,647
Total assets restricted as to use	368,565	423,133
Less current portion of assets restricted as to use	54,185	51,825
	$ 314,380	371,308

(a) Assets restricted as to use under the terms of the bond resolutions (see note 7) are to provide for debt service requirements and the acquisition of capital assets. Terms of the bond resolutions provide that assets be maintained in separate funds held by the trustee. The funds invested in accordance with the bond resolutions were substantially invested in U.S. government securities money market funds, U.S. government securities, a guaranteed investment contract (GIC) held by a trustee during 2011 and collateralized in excess of their carrying value by Federal Home Loan Mortgage Corporation notes, and a negotiable order of withdrawal (NOW) account. $0.6 million and $1.5 million were uninsured and uncollateralized at June 30, 2012 and 2011, respectively.

(b) MetroPlus statutory reserve investments are required by the DOH regulations for the protection of MetroPlus enrollees. $65.9 million and $60.4 million, respectively, are invested in U.S. government securities at June 30, 2012 and 2011.

(c) The donor-restricted funds are invested in securities purchased under repurchase agreements and certificates of deposit at June 30, 2012 and 2011. The repurchase agreements are collateralized in excess of their carrying value by U.S. government securities held by a custodian. $7.0 million were invested in a fully insured certificate of deposit at June 30, 2012 and 2011.

(7) Long-Term Debt and Other Liabilities

Long-term debt consists of the following as of June 30 (in thousands):

	2012	2011
Bonds payable:		
2010 Series A Fixed Rate Health System Bonds – weighted average interest of 3.89%, payable in installments to 2030:		
Uninsured Bonds (a)	$ 528,342	531,691
2008 Series A Fixed Rate Health System Bonds – weighted average interest of 4.51%, payable in installments to 2026:		
Uninsured Bonds (b)	187,966	212,730
2008 Series B, C, D, and E Variable Rate Health System Bonds – subject to short-term liquidity arrangements, weighted average interest of 0.83% in 2012, payable in installments to 2031:		
Uninsured Bonds (c)	174,144	178,736
2003 Series A Fixed Rate Health System Bonds – weighted average interest of 4.77%, payable in installments to 2023:		
Insured Bonds (d)	132,298	152,712
2002 Series A Fixed Rate Health System Bonds – weighted average interest of 5.14%, payable in installments to 2026 (e):		
Insured Bonds	1,635	4,655
Total bonds payable	1,024,385	1,080,524
Capital lease obligation (f)	75	175
New York Power Authority (NYPA) financing (g)	2,101	3,050
Equipment and renovation financing (h)	1,923	3,928
Clinical bed financing (i)	6,866	8,983
North General capital lease obligation (j)	48,258	—
	1,083,608	1,096,660
Less current installments	58,083	56,996
	$ 1,025,525	1,039,664

Long-term debt activity for the years ended June 30, 2012 and 2011 were as follows (in thousands):

	June 30, 2011 balance	Additions	Reductions	June 30, 2012 balance	Amounts due within 1 year
Long-term debt:					
Bonds payable	$ 1,080,524	—	(56,139)	1,024,385	54,185
Capital lease obligation	175	—	(100)	75	75
NYPA financing	3,050	—	(949)	2,101	631
Equipment and renovation financing	3,928	—	(2,005)	1,923	961
Clinical bed financing	8,983	—	(2,117)	6,866	2,231
North General capital lease obligation	—	48,258	—	48,258	—
	$ 1,096,660	48,258	(61,310)	1,083,608	58,083

	June 30, 2010 balance	Additions	Reductions	June 30, 2011 balance	Amounts due within 1 year
Long-term debt:					
Bonds payable	$ 940,648	510,460	(370,584)	1,080,524	51,825
Capital lease obligation	275	—	(100)	175	100
NYPA financing	4,940	—	(1,890)	3,050	947
Equipment and renovation financing	6,154	—	(2,226)	3,928	2,006
Clinical bed financing	10,942	—	(1,959)	8,983	2,118
	$ 962,959	510,460	(376,759)	1,096,660	56,996

On November 19, 1992, the Corporation's Board of Directors adopted the General Resolution requiring the Corporation to pledge substantially all reimbursement revenues, investment income, capital project, and bond proceed accounts to HHC Capital. All of the Corporation's Health System Bonds are secured by the pledge. The General Resolution imposes certain restrictive covenants on the issuance of additional bonds and working capital borrowing, and requires that the Corporation satisfy certain measures of financial performance, such as maintaining certain levels of net cash available for debt service, as defined and certain levels of healthcare reimbursement revenues, as defined.

(a) 2010 Series A Bonds

On October 26, 2010, the Corporation issued $510,460,000 of tax-exempt fixed rate Health System Bonds, 2010 Series A bonds (the 2010 Bonds). This issuance generated a premium of $49,767,349.

This bond issue included $345,575,000 of 2.0% to 5.0% uninsured serial bonds, due February 15, 2011 through February 15, 2025; and a $7,995,000 of 4.125% and $156,890,000 of 5.0% uninsured term bond due February 15, 2030 with interest payable on February 15 and August 15. The overall weighted average interest rate was 3.89%.

Proceeds of the 2010 Bonds were used: (i) to finance and reimburse the Corporation of $199,758,168 for the costs of its capital improvement program; (ii) to refund and redeem all of the Corporation's 1999 Series A bonds totaling $199,715,000; (iii) to refund and defease substantially all of the Corporation's 2002 Series A bonds totaling $142,315,000 ($11,905,000 of the 2002 Series A bonds were unrefunded); (iv) to fund the Capital Reserve Fund of $1,751,329; and (v) to pay cost of issuance of $3,281,608. Proceeds used to refund and redeem the 1999 Series A bonds were deposited with the bond trustee sufficient to pay the interest and principal of the refunded 1999 Series A bonds to and including their final redemption date of November 26, 2010. Also, proceeds used to refund and defease 2002 Series A bonds were deposited with the bond trustee sufficient to pay the interest and principal of the refunded 2002 Series A bonds to and including their final redemption date of February 15, 2012.

The Corporation completed the current refunding of the 1999 Series A bonds and the advance refunding of the 2002 Series A bonds to reduce its total debt service payments over the next 15 years by $35,608,385 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $32,579,656.

The following table summarizes debt service requirements as of June 30, 2012 (in thousands):

		Principal	Interest	Total
Year:				
2013	$	1,480	24,921	26,401
2014		25,260	24,891	50,151
2015		26,420	23,733	50,153
2016		35,970	22,431	58,401
2017		37,705	20,657	58,362
2018 – 2022		149,195	75,195	224,390
2023 – 2027		116,770	47,331	164,101
2028 – 2030		114,515	11,536	126,051
Total		507,315	250,695	758,010
Premium on 2010 Bonds		39,893	—	39,893
Unamortized refunding cost		(18,866)	—	(18,866)
	$	528,342	250,695	779,037

(b) 2008 Series A Bonds

During 2008, the Corporation restructured its 2002 Series B, C, D, E, F, G, and H auction rate bonds ($346,025,000). The related bond insurance was canceled. The auction rate bonds were refunded into

uninsured fixed rate bonds (2008 Series A – $268,915,000, of which $152,890,000 was used for refunding and the remaining $116,025,000 used for capital projects) and into variable rate bonds supported by letters of credit (2008 Series B, C, D, and E – $189,000,000).

On August 21, 2008, the Corporation issued $268,915,000 of tax-exempt fixed rate Health System Bonds, 2008 Series A bonds (the 2008 Series A Bonds). This issuance generated a premium of $9,939,369. This bond issue included $245,725,000 of 4.0% to 5.5% uninsured serial bonds, due February 15, 2009 through February 15, 2026; a 5% uninsured term bond of $11,295,000 due February 15, 2024; and a 5% uninsured term bond of $11,895,000 due February 15, 2025 with interest payable on February 15 and August 15. The overall weighted average interest was 4.51%.

Proceeds of the 2008 Series A Bonds and $4,359,500 in residual funds from the 2002 Series B, C, and H bonds were used: (i) to finance and reimburse the Corporation of $99,367,379 for the costs of its capital improvement program; (ii) to refund and defease all of the Corporation's 2002 Series B, C, and H auction rate bonds totaling $156,750,000; (iii) to finance $2,285,938 in interest during the escrow period; (iv) to fund the Capital Reserve Fund of $22,755,766; and (v) to pay cost of issuance of $2,054,786. Proceeds used to refund and defease 2002 Series B, C, and H bonds were deposited with the bond trustee sufficient to pay the interest and principal of the refunded 2002 Series B, C, and H bonds to and including their final redemption date of September 24, 2008.

(c) 2008 Series B, C, D, and E Bonds

On September 4, 2008, the Corporation issued $189,000,000 of tax-exempt variable rate Health System Bonds, 2008 Series B, C, D, and E bonds (the 2008 Variable Rate Bonds). This issuance included four subseries, consisting of $50,470,000 of 2008 Series B bonds, $50,470,000 of 2008 Series C bonds, $44,030,000 of 2008 Series D bonds, and $44,030,000 of 2008 Series E bonds. The 2008 Series B and C bonds are due February 15, 2025 through February 15, 2031 and the 2008 Series D and E bonds are due February 15, 2009 through February 15, 2026. The 2008 Variable Rate Bonds are supported by irrevocable direct-pay letters of credit issued from two banks. The 2008 Series B and C letters of credit will expire in September 2013 and the D and E letters of credit will expire in July 2017, unless extended by mutual agreement between the Corporation and the banks. The Corporation maintains the bank letters of credit to ensure the availability of funds to purchase any bonds tendered by bondholders that the remarketing agents are unable to remarket to new bondholders. Draws related to such tenders under the letters of credit will become Bank Bonds. As Bank Bonds, they can still be remarketed by the remarketing agents.

If not remarketed successfully as Bank Bonds, the Corporation will have the opportunity to refinance them during a period of up to 365 days from initial draw date. If the Bank Bonds are not refunded and remain outstanding exceeding 365 days from initial draw date, the Corporation will be required to make quarterly payments over four years commencing one year after the initial draw date. There were no draws under the letters of credit as of June 30, 2012.

The initial interest rates for the 2008 Variable Rate Bonds were set at 1.45% – 1.50%, bearing interest at a weekly interest rate mode. However, the 2008 Variable Rate Bonds of any series may be converted by the Corporation to bear interest at either a daily interest rate, a bond interest term rate, a

NRS (nonputable remarketed securities) rate, an auction rate, an index rate, or a fixed rate. The overall weighted average interest was 0.83% for 2012 and 0.93% for 2011.

Proceeds of the 2008 Variable Rate Bonds and $3,920,273 in residual funds from the 2002 Series D, E, F, and G bonds were used: (i) to refund and defease all of the Corporation's 2002 Series D, E, F, and G auction rate bonds totaling $189,275,000; (ii) to finance $3,019,115 in interest during the escrow period; and (iii) to pay cost of issuance of $626,158. Proceeds used to refund and defease 2002 Series D, E, F, and G bonds were deposited with the bond trustee sufficient to pay the interest and principal of the refunded 2002 Series D, E, F, and G bonds to and including their final redemption date of October 10, 2008.

The following table summarizes debt service requirements as of June 30, 2012 (in thousands):

	Principal	Interest	Total
Year:			
2013	$ 29,475	12,214	41,689
2014	30,800	10,951	41,751
2015	32,195	9,572	41,767
2016	12,380	8,104	20,484
2017	12,800	7,706	20,506
2018 – 2022	71,800	30,931	102,731
2023 – 2027	102,945	14,380	117,325
2028 – 2031	67,285	2,552	69,837
Total	359,680	96,410	456,090
Premium on 2008 Bonds	3,240	—	3,240
Unamortized refunding cost	(810)	—	(810)
	$ 362,110	96,410	458,520

(d) 2003 Series A Bonds

On January 15, 2003, the Corporation issued $245,180,000 of tax-exempt fixed rate Health System Bonds, 2003 Series A bonds (the 2003 Bonds). This issuance generated a premium of $9,029,318 and accrued interest of $818,452. This bond issue included $245,180,000 of 3.0% to 5.25% insured serial bonds, due February 15, 2004 through February 15, 2023 with interest payable on February 15 and August 15. The overall weighted average interest was 4.77%.

Proceeds of the 2003 Bonds, $250,469 of interest earning in escrow fund and $17,160,000 in residual funds from the 1993 Series A bonds (the 1993 Bonds) were used: (i) to refund and defease the Corporation's remaining 1993 Bonds totaling $252,955,000; (ii) to finance $6,178,859 in interest during the escrow period; (iii) to fund redemption premium of $4,817,900; (iv) to pay cost of issuance of $7,668,028; and (v) to pay accrued interest of $818,452. Proceeds used to refund and defease 1993 Bonds were deposited with the bond trustee sufficient to pay the interest and principal of the 1993 Bonds to and including their maturity date of February 15, 2003 for the 1993 Bonds

maturing on such date, and, with respect to the refunded 1993 Bonds maturing after February 15, 2003, on their respective redemption dates of March 13, 2003 and March 18, 2003.

The Corporation completed the current refunding to reduce its total debt service payments over the next 20 years by $12,875,878 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $12,015,674.

The following table summarizes debt service requirements as of June 30, 2012 (in thousands):

	Principal	Interest	Total
Year:			
2013	$ 21,595	6,539	28,134
2014	435	5,676	6,111
2015	455	5,658	6,113
2016	470	5,640	6,110
2017	490	5,620	6,110
2018 – 2022	72,120	29,985	102,105
2023	37,840	1,875	39,715
Total	133,405	60,993	194,398
Premium on 2003 Bonds	1,345	—	1,345
Unamortized refunding cost	(2,452)	—	(2,452)
	$ 132,298	60,993	193,291

(e) 2002 Series A, B, C, D, E, F, G, and H Bonds

On July 1, 2002, the Corporation issued $192,750,000 of tax-exempt fixed rate Health System Bonds, 2002 Series A bonds (the 2002 Series A Bonds). This issuance generated a premium of $3,016,172 and accrued interest of $616,667. This bond issue included $11,950,000 of 3.0% to 4.0% uninsured serial bonds, due February 15, 2005 through February 15, 2006; $154,140,000 of 3.2% to 5.5% insured serial bonds, due February 15, 2007 through February 15, 2019; and $26,660,000 of uninsured term bonds of 5.375% to 5.45%, due February 15, 2024 through February 15, 2026 with interest payable on February 15 and August 15. The overall weighted average interest was 5.14%.

Proceeds of the 2002 Series A Bonds were used: (i) to finance and reimburse the Corporation of $159,997,658 for the costs of its capital improvement program; (ii) to fund the Capital Reserve Fund of $11,754,803; (iii) to fund the Capitalized Interest Fund of $19,085,411; and (iv) to pay cost of issuance of $5,544,968.

The 2002 Series B, C, D, E, F, G, and H auction rate bonds were current refunded and defeased in August 2008 and September 2008 ((see notes (b) and (c)).

On October 26, 2010, the Corporation refunded and defeased substantially all of the Corporation's 2002 Series A bonds (see note (a)).

The following table summarizes debt service requirements as of June 30, 2012 (in thousands):

		Principal	Interest	Total
Year:				
2013	$	1,635	35	1,670
Total	$	1,635	35	1,670

(f) Capital Lease Obligation

The Corporation is a party to a long-term lease agreement, which commenced in 1993 and resulted in the construction of a parking garage at Elmhurst Hospital, which was financed by $11.8 million of New York City Industrial Development Agency Triple Tax-Exempt Bonds. These bonds and related interest costs will be paid over an 11-year period at rates of 7.4% and 7.5%. The Corporation hired Elmpark Associates (Elmpark) to construct and manage the garage and is required to pay Elmpark $100,000 per year in years 11 through 20 of the agreement for Elmpark's equity interest in the garage.

All assets acquired under this lease agreement have been capitalized and the related obligation is reflected in the accompanying financial statements. As of June 30, 2012, the payment of all principal and interest due is subordinate to the payment of principal and interest on the Corporation's 2002, 2003, 2008, and 2010 Bonds. The cost of the parking garage is included in capital assets in the amount of $12.8 million, with accumulated depreciation of $10.0 million at June 30, 2012. The future minimum lease payments are as follows as of June 30, 2012 (in thousands):

Year:		
2013	$	75
Total lease payments	$	75

(g) New York Power Authority (NYPA) Financing

NYPA has provided construction services and unsecured financing to various Corporation facilities for energy-efficient heating/cooling systems and lighting improvements.

Monthly payments of principal and interest are due on the initial par amount (approximately $12.7 million) of the outstanding financing, at variable interest rates over ten years. Variable interest rates are based on NYPA's cost of money related to its outstanding debt in the prior calendar year, with a maximum of 8.0%. NYPA adjusts the variable rate effective January 1 each year. At June 30, 2012, approximately $2.1 million was due at 0.88% interest. The effective interest rate for 2012 was approximately 0.9%.

The following table summarizes debt service requirements as of June 30, 2012 (in thousands):

		Principal	Interest	Total
Year:				
2013	$	631	16	647
2014		626	10	636
2015		626	5	631
2016		218	—	218
	$	2,101	31	2,132

(h) Equipment and Renovation Financing

In February 2005, the Corporation entered into a food service management agreement. As part of the agreement, the contractor purchased food service equipment for the Corporation and made renovations to Corporation facilities to improve food service processing. The Corporation is making monthly payments, at 7% interest, over periods of 3, 5, 7, and 10 years. All assets acquired under this agreement have been capitalized and the related obligation is reflected in the accompanying financial statements. The original loan amount was $17,327,803.

The following table summarizes debt service requirements as of June 30, 2012 (in thousands):

		Principal	Interest	Total
Year:				
2013	$	961	98	1,059
2014		421	53	474
2015		405	26	431
2016		136	4	140
	$	1,923	181	2,104

(i) Clinical Bed Financing

During 2011, the Corporation entered into agreements for the purchase of beds for several facilities. The Corporation is making monthly payments to the vendor on the original loan amounts of $11.5 million financed during March 2010 and June 2010. Interest rates are at 5.00% and 5.75% for the purchases in March 2010 and June 2010, respectively, and all assets acquired under this agreement have been capitalized and the related obligation is reflected in the accompanying financial statements.

The following table summarizes debt service requirements as of June 30, 2012 (in thousands):

		Principal	Interest	Total
Year:				
2013	$	2,229	304	2,533
2014		2,346	187	2,533
2015		1,773	69	1,842
2016		442	18	460
2017		76	1	77
	$	6,866	579	7,445

(j) North General Capital Lease Obligation

In September 2010, the Corporation and the City of New York entered into a Memorandum of Understanding with the New York State Department of Health, the Dormitory Authority of the State of New York (DASNY) and the recently closed North General Hospital, to relocate the Goldwater operations of the Coler-Goldwater Specialty Hospital and Nursing Facility to the North General Hospital campus in northern Manhattan. This relocation will allow the Corporation to relinquish an aging and outdated campus, while facilitating the reorganization and downsizing of the Corporation's long-term care services consistent with the Corporation's restructuring plan.

The agreement provides for a capital lease of the existing North General Hospital building that will be renovated to house long term acute care hospital (LTACH) services. The Corporation has also acquired a parking lot on the North General campus, where a new tower building may be constructed to house skilled nursing (SNF) services. The North General site will have approximately 400 fewer SNF beds and 200 fewer LTACH beds than the Goldwater campus. The City is financing acquisition, renovation, and construction of the North General campus, with supplemental funding from State grants.

A lease agreement was executed in June 2011. The lease expires at the later of the date of full repayment of the North General Hospital DASNY bonds issued in relation to the leased property, or the date of the Corporation's rent payment based on the final Medicaid capital reimbursement receipt attributable to depreciation expense for leased assets. Assets acquired under this lease agreement have been capitalized and the related obligation is reflected in the accompanying financial statements. Upon expiration of the lease, all leased property will be conveyed to HHC, upon payment of a nominal sum.

(8) Due to City of New York, net

Amounts due to the City consist of the following at June 30 (in thousands):

	2012	2011
FDNY EMS operations (a)	$ 44,797	47,754
Medical malpractice payable (b)	113,595	142,644
Other accrued expenses (c)	13,094	17,700
Utilities prepaid expenses (d)	167	(724)
	$ 171,653	207,374

(a) The liability for Emergency Medical Services (EMS) operations represents the balance of third-party payor reimbursement received by the Corporation and due to the City for EMS services provided by the City's Fire Department (FDNY) on behalf of the Corporation.

(b) Payable represents final malpractice balances due the City.

(c) Payable represents final and reconciled fringe benefit costs.

(d) Payable represents final and reconciled utility costs due the City. Estimated utilities payments made by the Corporation to the City during 2011 exceeded final and reconciled utilities bills, resulting in a prepaid expense of $0.7 million at June 30, 2011.

(9) Pension Plan

The Corporation participates in the New York City Employees Retirement System (NYCERS), which is a cost-sharing, multiple-employer public employees retirement system. NYCERS provides defined pension benefits to 185,000 active municipal employees and 132,000 pensioners through $48.7 billion in assets. Employees who receive permanent appointment to a competitive position and have completed six months of service are required to participate in NYCERS, and all other employees are eligible to participate in NYCERS. NYCERS provides pay-related retirement benefits, as well as death and disability benefits. Total amounts of the Corporation's employees' covered payroll and total related payroll for the year ended June 30, 2012 are approximately $2.026 billion and $2.419 billion, respectively.

The frozen entry age actuarial cost method of funding with six-year amortization of a revised unfunded frozen initial accrued liability is used to calculate the contribution from the Corporation. The Corporation's annual pension costs for fiscal 2012, 2011, and 2010, which includes contributions toward the actuarially determined accrued liability, were approximately $424.6 million, $332.4 million and $299.5 million, respectively. These costs paid by the Corporation represent the Corporation's required contribution as calculated by the Office of the Actuary, City of New York.

NYCERS issues a financial report that includes financial statements and required supplementary information, which may be obtained by writing to NYCERS, 335 Adams Street, Brooklyn, New York 11201-3751.

(10) Postemployment Benefits, Other than Pension (OPEB)

In accordance with collective bargaining agreements, the Corporation provides OPEB that include basic healthcare benefits to eligible retirees and dependents at no cost to many of the participants. Basic healthcare premium costs that are partially paid by the Corporation for the remaining participants vary according to the terms of their elected plans. To qualify, retirees must: (i) have at least ten years of credited service (five years of credited service if employed on or before December 27, 2001) as a member of a pension system approved by the City (requirement does not apply if retirement is as a result of accidental disability); (ii) have been employed by the Corporation prior to retirement; (iii) have worked regularly for at least 20 hours a week prior to retirement; and (iv) be receiving a pension check from a retirement system maintained by the City or another system approved by the City.

The Corporation's OPEB expense of $303.2 million, $620.6 million and $602.6 million in 2012, 2011, and 2010 were equal to the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45; however, implicit rate subsidy credits of $16 million, $16 million, and 15 million reduced OPEB expenses for 2012, 2011, and 2010, respectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The Corporation's ARC for 2012, 2011, and 2010 is composed of the following, as calculated by the Office of the Actuary, City of New York (in thousands):

		2012	2011	2010
Normal cost	$	219,718	264,044	267,848
Amortization of unfunded actuarial accrued liability over one year		(78,706)	202,623	200,498
Interest at 4.0%		178,153	169,932	149,277
ARC		319,165	636,599	617,623
Less corporation payments for retired employees' health care benefits and implicit rate subsidy credit		110,128	105,418	99,562
Net OPEB obligation increase		209,037	531,181	518,061
Net OPEB obligation – beginning of year		4,312,816	3,781,635	3,263,574
Net OPEB obligation – end of year		4,521,853	4,312,816	3,781,635
Less current portion of postemployment benefits obligation, other than pension		99,700	94,400	93,000
	$	4,422,153	4,218,416	3,688,635

The Corporation has not funded any of its net OPEB obligation.

The schedule below presents the results of OPEB valuations as of June 30, 2011 for fiscal year 2012, as of June 30, 2010 for fiscal year 2011, and as of June 30, 2009 for fiscal year 2010 (in thousands):

Actuarial valuation date	Frozen entry age actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
June 30, 2011	$ 4,234,110	4,234,110	2,026,170	209.0%
June 30, 2010	3,984,256	3,984,256	2,043,063	195.0
June 30, 2009	3,464,072	3,464,072	1,989,955	174.1

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The frozen entry age actuarial cost method was used in the June 30, 2012, 2011, and 2010 OPEB actuarial valuations as the basis for the 2012, 2011, and 2010 ARC calculations.

The actuarial assumptions include an annual healthcare cost trend rate (HCCTR). The HCCTR applied to Pre-Medicare plans was updated as of June 30, 2009 to reflect recent past experience and anticipated future experience, including the enactment of National Health Care Reform. The HCCTR for Pre-Medicare plans assumes an initial rate of 9.5% and is gradually reduced to and ultimate rate of 5% after 11 years. The complete set of actuarial assumptions and methods used in the June 30, 2010 OPEB actuarial valuation are contained in the Report on the Sixth Annual Actuarial Valuation of Other Postemployment Benefits Provided under the New York City Health Benefits Program (the Sixth OPEB Report). The Sixth OPEB Report was prepared as of June 30, 2010 in accordance with GASB Statements Nos. 43 and 45 for the fiscal year ended June 30, 2011 by the New York City Office of the Actuary and is dated September 21, 2011.

(11) Commitments and Contingencies

(a) Reimbursement

The Corporation derives significant third-party revenues from the Medicare and Medicaid programs. Medicare reimburses most inpatient acute services on a prospectively determined rate per discharge, based on diagnosis-related groups (DRGs) of illnesses, i.e., the Prospective Payment System (PPS). For outpatient services, Medicare payments are based on service groups called ambulatory payment classifications (APCs).

Commencing July 1, 2005, Medicare introduced PPS reimbursement for psychiatric units on a per diem basis, recognizing the intensity of care provided to the patients. The Corporation receives Medicare payments for rehabilitation services using a PPS methodology, which requires facilities to complete patient health assessments. Using these assessments, Medicare defines a case-based payment, accounting for acuity and co-morbidities.

Medicare adjusts the reimbursement rates for capital, medical education, costs related to treating a disproportionate share of indigent patients, and some physician services are reimbursed on a cost basis. Due to these adjustments and other factors, final determination of the reimbursement settlement for a given year is not known until Medicare performs its annual audit. Medicare cost reports have been audited and settled through fiscal year 2006, with the exception of 2005 reports for two hospitals.

Effective July 1, 2004, Medicare instituted a new PPS for long-term acute care. Medicaid continues to reimburse for these services on a per diem basis.

Effective January 1, 1997, the State enacted the Health Care Reform Act (HCRA), which covers Medicaid, Workers' Compensation, and No-Fault. In January 2000, the State passed HCRA 2000 extending the HCRA methodology until June 30, 2003, which has subsequently been extended several times and is now scheduled to expire December 31, 2014. Medicaid pays for inpatient acute care services on a prospective basis using a combination of statewide and hospital specific 2005 costs per discharge trended forward to the current year and adjusted for severity of illness based on DRGs. Certain hospital specific noncomparable costs are paid as flat-rate per discharge add-ons to the DRG rate. Certain psychiatric, rehabilitation, and other services are excluded from this methodology and are reimbursed on the basis of per diem rates. Effective October 2010, per diem reimbursement for inpatient psychiatric services will be adjusted for severity of illness; however, implementation by New York State is pending.

Commercial insurers, including HMOs, pay negotiated reimbursement rates or usual and customary charges, with the exception of inpatient Medicaid HMO cases that may be paid at the State-determined Alternate Payment Rate, which is related to the Medicaid rate. In addition, the State pays hospitals directly for graduate medical education costs associated with Medicaid HMO patients. The Corporation's current negotiated rates include per case, per diem, per service, per visit, and partial capitation arrangements.

HCRA continues funding sources for public goods pools to: finance healthcare for the uninsured; support graduate medical education; and fund initiatives in primary care. Medicaid outpatient services have been reimbursed based on fixed rates that are generally below cost. In December 2008, the State began implementing the Ambulatory Patient Groups (APGs) for outpatient reimbursement, and provides for service intensity adjusted prospective payments based on patient diagnoses and procedures groupings. The APG reimbursement methodology for hospital ambulatory surgery services is effective December 1, 2008, emergency room services effective January 1, 2009, and diagnostic and treatment center medical services effective September 1, 2009. APG payment for most chemical dependency and mental health clinic services is effective as of October 2010. APG payment for non-hospital based chemical dependency and mental health clinic services is phased in

over four years. Outpatient services for all nongovernmental payors are based on charges or negotiated rates.

The Corporation is in varying stages of appeals relating to third-party payors' reimbursement rates. Management routinely provides for the effects of all determinable prior year appeals, settlements, and audit adjustments and records estimates based upon existing regulations, past experience, and discussions with third-party payors. However, since the ultimate outcomes for various appeals are not presently determinable, no provision has been made in the accompanying financial statements for such issues.

Certain provisions of PPS and HCRA require retroactive rate adjustments for years covered by the methodologies. Those that can be reasonably estimated have been provided for in the accompanying financial statements. However, those that are either (a) without current specific regulations to implement them or (b) are dependent upon certain future events that cannot be assumed have not been provided for in the accompanying financial statements.

There are various proposals at the federal and state levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, or increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Laws and regulations governing Medicaid and Medicare are 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 Corporation believes that it is in compliance with all applicable regulations and that any pending or possible investigations involving allegations of potential wrongdoing will not materially impact the accompanying financial statements. While certain regulatory inquiries have been made, compliance with the regulations can be subject to future government review and interpretation as well as significant regulatory action, i.e., fines, penalties, and possible exclusion from Medicaid and Medicare, in the event of noncompliance. In accordance with recent trends in healthcare financial operations, the Corporation has established a Corporate Compliance Committee and appointed a Corporate Compliance Officer to monitor adherence to laws and regulations.

(b) Legal Matters

There are a significant number of outstanding legal claims against the Corporation for alleged negligence, medical malpractice, and other torts, and for alleged breach of contract. Pursuant to the Agreement, the Corporation is indemnified by the City for such costs, which were $118.8 million for 2012 and $142.6 million for 2011. The Corporation records these costs when settled by the City as appropriations from the City and as other than personal services expenses in the accompanying financial statements (see note 8(b)). Accordingly, no provision has been made in the accompanying financial statements for unsettled claims, whether asserted or unasserted.

(c) Operating Leases

The Corporation leases equipment, off-site clinic space, and office space under various operating leases. Total rental expense for operating leases was approximately $43.0 million in 2012 and $46.4 million in 2011.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2012 (in thousands):

		Amount
Year:		
2013		25,893
2014		20,055
2015		17,574
2016		15,526
2017		12,629
2018 – 2022		21,647
Total minimum payments required	$	113,324

(d) Major Construction Projects

The Corporation has various major facility construction projects in progress, including major modernization projects at Harlem Hospital Center, Gouverneur Healthcare Services, and North General Hospital campus, with an estimated cost of completion of $351.6 million at June 30, 2012.

(12) Change in Claims Payable

Accounts payable and accrued expenses include MetroPlus claims payable of $112.4 million and $86.4 million at June 30, 2012 and 2011, respectively. Activity in the liability for claims payable, which includes health claims and claim adjustment expenses related to health claims included in other than personal services, is summarized as follows (in thousands):

	2012	2011
Balance, July 1	$ 86,355	72,508
Less drug rebates receivable	(921)	(417)
Net balance	85,434	72,091
Incurred related to:		
Current year	977,693	548,731
Prior years	(11,683)	(9,347)
Total incurred	966,010	539,384
Paid related to:		
Current year	875,637	470,702
Prior years	66,558	55,339
Total paid	942,195	526,041
Net balance at June 30	109,249	85,434
Plus drug rebates receivable	3,174	921
Balance, June 30	$ 112,423	86,355

Net reserves for unpaid claims and claim adjustment expenses attributable to insured claims of prior years decreased by $11.7 million in 2012 and $9.3 million in 2011. These changes are generally the result of ongoing analysis of recent loss development trends that include expected healthcare cost and utilization.

(13) Premium Revenue

Premium revenue, by percentage, from members and third-party payors for the years ended June 30, 2012 and 2011 was as follows:

	2012	2011
Medicaid	79%	80%
Medicare	4	5
Child Health Plus	2	3
Family Health Plus	7	8
Partnership In Care	8	4
	100%	100%

(14) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30 (in thousands):

	2012	2011
Vendors payable	$ 208,849	204,498
Accrued interest	15,762	16,643
Affiliations payable	29,585	26,425
MetroPlus claims payable	112,423	86,355
Pollution remediation liability	13,777	11,082
Other	109,508	81,754
	$ 489,904	426,757

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
New York City Health and Hospitals Corporation:

We have audited the financial statements of New York City Health and Hospitals Corporation (the Corporation), a component unit of the City of New York, as of and for the year ended June 30, 2012, and have issued our report thereon dated September __, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of MetroPlus Health Plan, Inc, and HHC Insurance Company, Inc., blended component units of the Corporation, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the Corporation is res responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

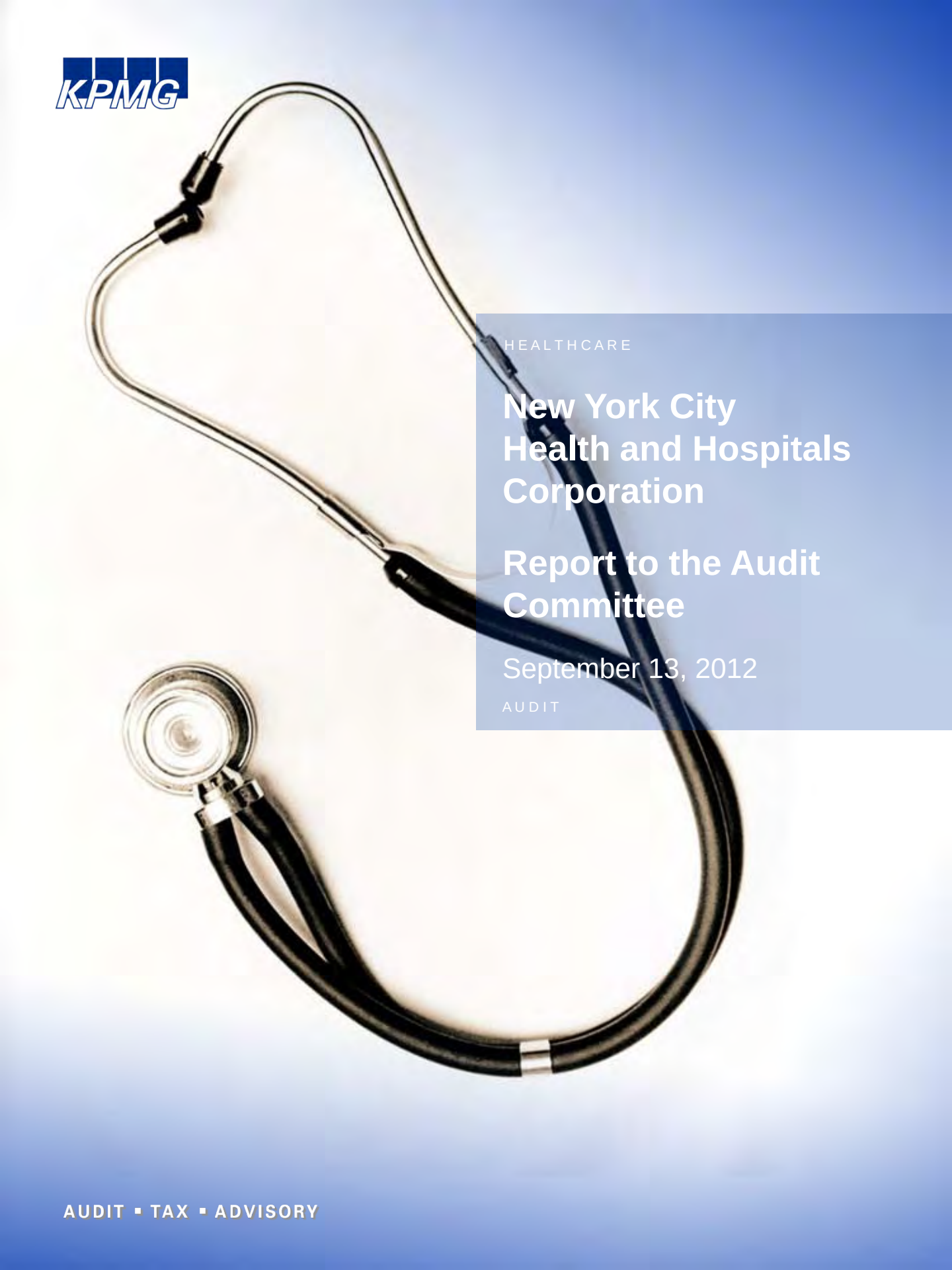
As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we plan to report to management of the Corporation in a separate letter.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

September __, 2012



HEALTHCARE

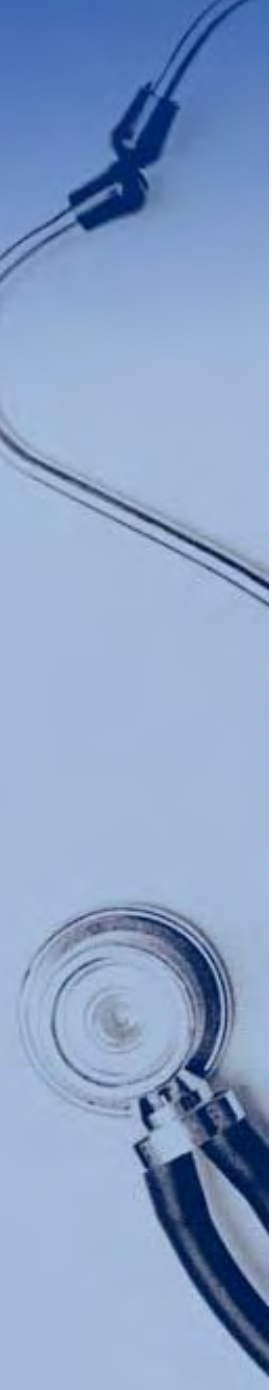
New York City Health and Hospitals Corporation

Report to the Audit Committee

September 13, 2012

AUDIT

AUDIT ▪ TAX ▪ ADVISORY



Overview of 2012 Audit Results & Required Communications

Overview of 2012 Audit

Significant Estimates and Other Transactions

Other Required Communications

Fraud Considerations

KPMG Reports

Audit Committee Resources

Overview of 2012 Audit

Professional standards require the auditor to communicate certain information regarding the scope and results of the audit that may assist the Audit Committee in overseeing management's financial reporting and disclosure process. Below we summarized these required communications.

Responsibilities Under Auditing Standards Generally Accepted in the United States of America (GAAS) and Government Auditing Standards (GAS)

KPMG Responsibilities

- Audit performed in accordance with GAAS and GAS.
- Objective is to obtain reasonable – not absolute – assurance that the financial statements are free of material misstatement, whether caused by error or fraud.
- We have no responsibility to obtain reasonable assurance that misstatements that are not material are detected.
- As part of our audit, we obtained an understanding of internal controls sufficient to plan our audit and to determine the nature, timing and extent of testing performed; not to opine on the system of internal control.
- Planning and performing an audit with an attitude of professional skepticism.
- Communicating all required information to management and the Audit Committee and/or those charged with governance.

Management Responsibilities

- Adopting sound accounting policies.
- Establishing and maintaining internal control.
- Fairly presenting the financial statements in conformity with generally accepted accounting principles.

Audit Committee Responsibility

- Role is one of oversight and monitoring
- Must rely on senior management, external auditors, and internal auditors
- Appoint, approve and review external audit function.

Report on Audit

- Unqualified opinion.
- Evaluated liquidity considerations which had no impact on our opinion.
- An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion.
- No disagreements with management regarding application of accounting principles.
- MetroPlus and HHC Insurance Company, Inc. were not required to be audited in accordance with Governmental Auditing Standards.

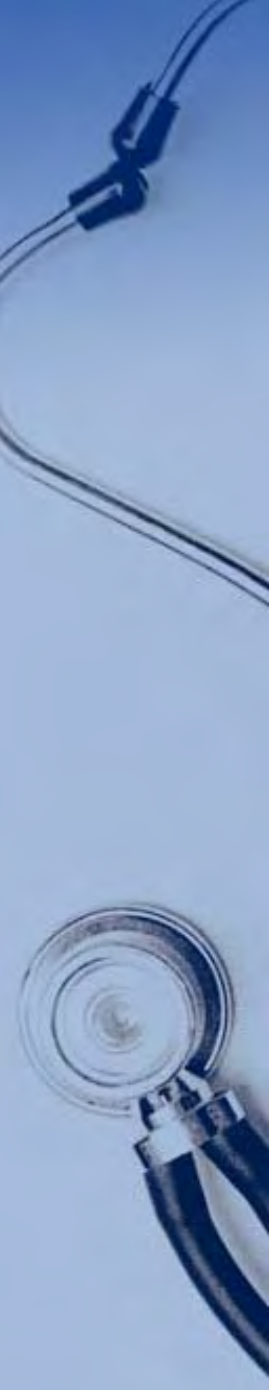
Overview of 2012 Audit (continued)

Internal Controls

- Reviewed controls to extent necessary to render an opinion on the financial statements.
- No significant deficiencies or material weaknesses noted.
- Observations will be issued in a separate letter to the Audit Committee.

Significant Accounting Policies

- Disclosed in note 1 to the financial statements.
- There were no significant changes to existing policies noted for 2012.



Significant Estimates and Other Transactions

Management Judgments and Accounting Estimates

The preparation of financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

Valuation of Patient Accounts Receivable

- Updated our understanding of the patient revenue billing and cash receipts cycle and performed tests of controls.
- Performed independent review of the valuation of three facilities' inpatient and outpatient accounts receivable utilizing a computer assisted auditing tool (CAAT) to ensure that management's process was still operating appropriately and could be relied upon.
- Performed various audit procedures, including ratio analyses, analytical comparison of aging and financial class, review of detailed trial balances, etc.
- Concluded that patient receivables, net was reasonable at June 30, 2012.

Estimated Third-Party Payor Settlements, Net and Estimated Pools Receivable, Net

- Reviewed all fiscal 2012 third-party reimbursement activity and correspondence.
- Utilized KPMG reimbursement professional to assist in the review of third-party payor liabilities and receivables.
- Assessed management's process for estimates relating to open rate years based upon audited rate estimates, census data, and tested management's supporting calculations for accuracy and appropriateness.
- The Supplemental Medicaid Managed Care revenue decreased $85 million from $166 million in 2011 to $81 million in 2012.
- Upper Payment Limit (UPL) revenue decreased $61 million from $626 million in 2011 to $565 million in 2012.
- DSH max revenue decreased $138 million from $550 million in 2011 to $412 million in 2012.
- During 2012, the Corporation recorded adjustments to prior year estimates based on new information resulting in a $2.5 million decrease in net patient service revenue (see footnote 4).

Significant Estimates and Other Transactions (continued)

Estimated Third-Party Payor Settlements, Net (continued)

- Changes in prior year estimates mainly related to the following:
  - Final and tentative settlements for Medicare.
  - Various Medicaid adjustments.
- Concluded that the estimated third-party payor settlements, net and the estimated pools receivable, net were reasonable at June 30, 2012.

GASB 45 (Financial Reporting by Employer for Post-employment Benefits Other Than Pension)

- The Corporation recorded costs in the amount of $303 million and $621 million for the years ended June 30, 2012 and 2011, respectively. The amount paid was approximately $94 million and $90 million for 2012 and 2011, respectively.
- A KPMG actuary reviewed the actuarial assumptions utilized by the City of New York actuary and determined the reasonableness.
- Agreed the liability per the client's actuarial report to the general ledger.
- Agreed current year OPEB expense to the general ledger and vouched current year contributions.
- Performed attribute testwork over the data utilized in the City's actuarial calculation to determine completeness and accuracy of the data, noting discrepancies for date of birth and membership participation date between information provided and the Corporation's internal records. KPMG concluded that the discrepancies result in a minimal impact to the financial statements.
- Concluded that the post-employment liability was reasonably stated at June 30, 2012.

MetroPlus IBNR (Incurred But Not Reported)

- MetroPlus management has controls in place over both premium revenue and expense. Additionally, management has an actuary review performed over MetroPlus IBNR at both 12/31 and 6/30.
- Performed a rollforward of control and substantive testwork from 12/31/11 to 6/30/12.
- A KPMG actuary reviewed the actuarial assumptions and determined the reasonableness of the liability at 12/31/11.
- Performed attribute testwork over the claims triangle to determine the accuracy of the data (data utilized by actuary to calculate liability).
- Concluded that the IBNR liability was reasonably stated at June 30, 2012.
- KPMG performed a statutory audit on MetroPlus as of 12/31/11.

Significant Estimates and Other Transactions (continued)

Other Transactions / Areas

Appropriations From (Remittances to) City of New York (see footnote 1i)

- Decreased $37 million from appropriations of $28 million in 2011 to remittances of $9 million in 2012.
- HHC received appropriations from the City in 2012 of approximately $253.6 million primarily relating to malpractice settlements, interest on DASNY and General Obligation Debt, and cash received for operations.
- HHC was charged by the City for malpractice expense of $119 million and debt service of $144 million in FY12.

Physician Affiliate Group of New York, PC (PAGNY)

- KPMG noted that Metropolitan, Jacobi, North Central Bronx, Lincoln, Belvis, Morrisania, and parts of Kings County contracted with PAGNY in 2012.
- Per review of the articles of incorporation and by-laws of PAGNY and the agreement between HHC and PAGNY, KPMG concluded that PAGNY should not be consolidated into HHC's financial statements as of June 30, 2012.

North General Lease

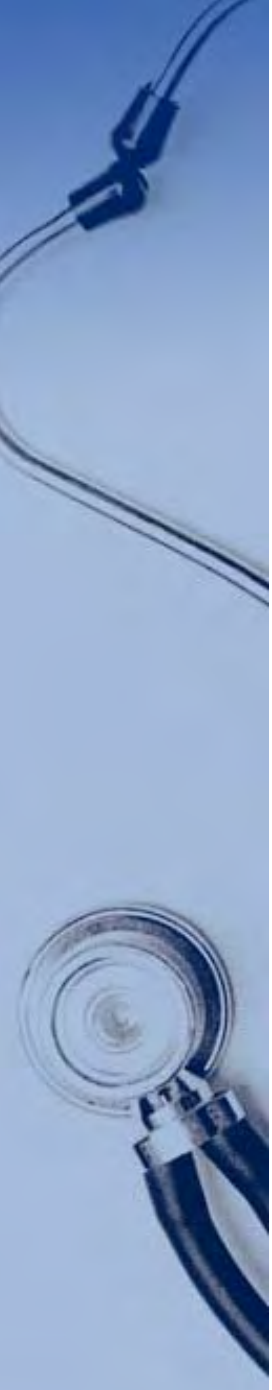
- The Corporation entered into a Memorandum of Understanding with the New York State Department of Health, the Dormitory Authority of the State of New York and the recently closed North General Hospital, to relocate Goldwater to the North General campus. The agreement provides for the acquisition of both a parking lot, as well as a capital lease of the existing North General Hospital building.
- The Corporation recorded the capital lease totaling $48 million representing the present value of approximately $61 million of minimum lease payments at 3.28% as of June 30, 2012.

FICA Receivable

- HHC received a letter from the IRS regarding refunds that will be paid to HHC for Federal Insurance Contributions Act (FICA) taxes withheld and paid on wages earned for services performed by medical residents for tax periods from January 1, 1997 through April 1, 2005. As a result, the refund of $94 million was recorded as a receivable as of June 30, 2012.

Information Technology Review

- Utilized KPMG Information Technology (IT) professionals to assist in the review of the Information Technology general controls as well as the application controls which included:
  - Access to programs and data
  - Program changes
  - Computer operations
- Reviewed specific applications and reports related to accounts payable, fixed assets, payroll, patient accounts receivable, and revenue.
- Concluded that Information Technology general controls are operating effectively.



Other Required Communications

Quality of Accounting Principles

- Accounting policies have been consistently applied.

Significant or Unusual Transactions

- None noted, except as previously disclosed.

Other Information in Documents Containing Audited Financial Statements

- Not applicable, as the financial statements are not included in other documents, except for the annual filing of the cost reports.

Other Major Issues Discussed with Management Prior to Retention

- There were no major issues discussed prior to our retention.

Consultation with Other Accountants

- We have not been made aware of any consultations with other accountants regarding the application of accounting principles.

Significant Difficulties Encountered in Performing the Audit

- No significant difficulties were encountered during the audit.

Material Errors, Fraud and Illegal Acts

- Planned audit procedures developed and inquiries made.
- None of which we are aware that would result in significant misstatement of the financial statements.
- No significant changes to planned audit procedures.

Audit Adjustments

- None noted.

Management Cooperation

- Received full cooperation.
- Full access to books and records.
- Utilized internal audit personnel as a component of the engagement team.
- No disagreements with management.

Changes to Initial 2012 Audit Plan

- There were no changes to the initial 2012 Audit Plan.

Other Required Communications (continued)

Independence

- We are not aware of any relationships between KPMG LLP and HHC that in our professional judgment may reasonably be thought to bear on our independence.
- Related to our audit for 2012, we are independent with respect to HHC within the meaning of the published rules and regulations of Securities and Exchange Commission, the pronouncements of the Independence Standards Board, under Rule 101 of the AICPA Code of Professional Conduct and under Government Auditing Standards, issued by the Comptroller General of the United States.

Material Written Communication

- Engagement Letter
- Management Representation Letter
- Management Letter

Non-GAAP Policies

No new policies identified, however, during the course of our audit, we noted the following inconsequential non-GAAP policies:

- The Corporation does not capitalize leases that are deemed to be immaterial.
- The Corporation's policy is to capitalize fixed assets with unit values greater than $500 and with a useful life of two years or more.
- The Corporation does not utilize the effective interest method to amortize deferred financing costs associated with the fixed rate bonds remaining for 2002 and 2003.

Fraud Considerations

Identification of fraud risks

- Performed risk assessment procedures to identify fraud risks, both at the financial statement level and at the assertion level.
- Discussed among the audit team the susceptibility to fraud.
- Inquired of management and others.
- Evaluated broad programs/controls that prevent, deter and detect fraud.

Response to identified fraud risks

- Evaluated design of mitigating controls.
- Tested effectiveness of controls.
- Addressed revenue recognition and risk of management override of controls.
- Performed specific substantive audit procedures.
- Performed journal entry routines utilizing Computer Assisted Audit Tool (CAAT) in order to evaluate the appropriateness of manual journal entries.
- Utilized assistance of forensic professional in conducting selected interviews and addressing fraud risks.
- Performed selected interviews:
  - Emily Youssouf, Audit Committee Chair
  - Dr. Stocker, Chairman of the Board
  - Alan Aviles, President and CEO
  - Marlene Zurack, Senior Vice President of Finance
  - Wayne McNulty, Chief Corporate Compliance Officer
  - James Saunders, First Deputy Corporate Compliance Officer
  - Dr. Wilson, Senior Vice President of Quality
  - Jay Weinman, Corporate Comptroller
  - Salvatore Russo, General Counsel
  - Chris Telano, Chief Internal Auditor and Assistant Vice President
  - Maxine Katz, Senior Assistant Vice President of Revenue Management
  - Five Network Compliance Officers

KPMG Reports

- Auditor's report on the basic financial statements of the Corporation
- Stand-alone financial statement will be issued for:
  - MetroPlus Health Plan (December 31, 2011)
  - HHC Insurance Company, Inc. (December 31, 2011)
- Management letter.
- Auditors' report on agreed upon procedures related to the 11 acute care hospitals and 2 specialty hospitals bad debt and charity care policies will be issued.
- Auditors' report on Cost Reports (RHCF-4's, AHCF's and LTHHC) will be issued.

Audit Committee Resources

KPMG's Audit Committee Institute

- KPMG created the Audit Committee Institute (ACI) to serve as a resource for audit committee members and senior management. ACI's stated mission is to communicate with audit committee members and enhance their awareness, commitment, and ability to implement effective audit committee processes.
- www.kpmginstitutes.com/aci

KPMG's Healthcare & Pharmaceutical Institute

- The KPMG Healthcare & Pharmaceutical Institute (HPI) has been established to provide an open forum for business leaders from across the industry to share perspectives, gain insight, and develop approaches to help balance risks and controls, and improve performance.
- www.kpmginstitutes.com/healthcare-pharma-institute/

KPMG's Audit Committee Insights

- KPMG's Audit Committee Insights is a biweekly e-mail alert that is designed to help audit committee members stay up to date on recent events. Audit Committee Insights' editors review hundreds of respected business journals, industry publications, and association web sites to bring the information to your desktop in an easy to read email.
- http://www.kpmginstitutes.com/aci/insights/2012/kpmg-audit-committee-insights-newsletter.aspx