

# Mount Sinai Medical Center of Florida, Inc. and Subsidiaries

Consolidated Financial Statements as of and  
for the Years Ended December 31, 2017 and 2016,  
Supplemental Divisional Information as of and  
for the Year Ended December 31, 2017, and  
Independent Auditors' Report

# **MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Mount Sinai Medical Center of Florida, Inc.  
Miami Beach, Florida

We have audited the accompanying consolidated financial statements of Mount Sinai Medical Center of Florida, Inc. and subsidiaries (the "Medical Center"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center and subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplemental Divisional Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental divisional information on pages 34-36 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual divisions, and is not a required part of the consolidated financial statements. This supplemental divisional information is the responsibility of the Medical Center's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such supplemental divisional information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplemental divisional information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such supplemental divisional information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Deloitte & Touche LLP*

March 30, 2018

# MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016

(Amounts in thousands)

	2017	2016
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,112	\$ 32,205
Investments	260,197	223,611
Patient accounts receivable—net of allowances for uncollectible accounts of approximately \$38.6 million in 2017 and \$43.2 million in 2016	71,944	69,362
Other receivables	7,219	4,832
Due from third party payors	3,603	-
Inventories	9,588	9,602
Prepaid and other assets	<u>10,399</u>	<u>12,089</u>
Total current assets	<u>381,062</u>	<u>351,701</u>
ASSETS WHOSE USE IS LIMITED:		
Funds held by trustee	13,127	74,557
Self-insurance trust fund	2,476	1,378
Other investments	<u>9,787</u>	<u>7,962</u>
Total assets whose use is limited	<u>25,390</u>	<u>83,897</u>
BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.	222,279	172,317
PROPERTY AND EQUIPMENT—Net	333,091	255,548
RECEIVABLE FOR INSURED CLAIMS	12,050	17,038
OTHER ASSETS	<u>2,777</u>	<u>2,284</u>
TOTAL	<u>\$ 976,649</u>	<u>\$ 882,785</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 34,620	\$ 27,966
Accrued wages, salaries, and benefits	28,388	26,623
Indigent care assessment—current portion	5,158	4,851
Other current liabilities	36,219	36,508
Due to third-party payors	15,626	14,972
Current portion of capital leases	6,671	3,585
Current portion of long-term debt	<u>8,513</u>	<u>16,861</u>
Total current liabilities	135,195	131,366
CAPITAL LEASES—Net of current portion	35,309	7,139
LONG-TERM DEBT—Net of current portion	278,281	279,682
INDIGENT CARE ASSESSMENT—Net of current portion	3,303	3,285
OTHER LONG-TERM LIABILITIES	295	325
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>56,030</u>	<u>58,866</u>
Total liabilities	<u>508,413</u>	<u>480,663</u>
COMMITMENTS AND CONTINGENCIES (Notes 6, 7, and 18)		
NET ASSETS:		
Unrestricted	245,957	229,805
Temporarily restricted	211,067	161,773
Permanently restricted	<u>11,212</u>	<u>10,544</u>
Total net assets	<u>468,236</u>	<u>402,122</u>
TOTAL	<u>\$ 976,649</u>	<u>\$ 882,785</u>

See notes to consolidated financial statements.

## MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (Amounts in thousands)

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	2017	2016
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:		
Patient service revenue net of contractual allowances and discounts	\$628,025	\$614,563
Provision for doubtful accounts	<u>73,146</u>	<u>79,107</u>
Net patient service revenue	554,879	535,456
Other revenue	31,007	28,485
Net assets released from temporary restrictions by the Foundation	976	736
Net assets released from temporary restrictions for research, grants, and other	<u>5,575</u>	<u>2,315</u>
Total unrestricted revenues, gains, and other support	<u>592,437</u>	<u>566,992</u>
EXPENSES:		
Wages, salaries, and benefits	308,893	296,625
Supplies	125,588	121,504
Administrative and general	80,594	70,643
Malpractice and other insurance—net of recoveries	18,161	13,943
Depreciation	32,041	28,804
Interest	10,428	10,744
Indigent care assessment	<u>5,924</u>	<u>5,944</u>
Total expenses	<u>581,629</u>	<u>548,207</u>
EXCESS OF REVENUES OVER EXPENSES	<u>10,808</u>	<u>18,785</u>

(Continued)

## MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts in thousands)

	2017	2016
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses	\$ 10,808	\$ 18,785
Net assets released from restrictions used for capital purposes	<u>5,344</u>	<u>9,260</u>
Increase in unrestricted net assets	<u>16,152</u>	<u>28,045</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Temporarily restricted grants and contributions	11,895	12,310
Net assets released from restrictions	(11,895)	(12,310)
Change in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	<u>49,294</u>	<u>23,151</u>
Increase in temporarily restricted net assets	<u>49,294</u>	<u>23,151</u>
PERMANENTLY RESTRICTED NET ASSETS—		
Change in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	<u>668</u>	<u>397</u>
Increase in permanently restricted net assets	<u>668</u>	<u>397</u>
CHANGE IN NET ASSETS	66,114	51,593
NET ASSETS—Beginning of year	<u>402,122</u>	<u>350,529</u>
NET ASSETS—End of year	<u>\$468,236</u>	<u>\$402,122</u>

See notes to consolidated financial statements.

(Concluded)

## MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (Amounts in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 66,114	\$ 51,593
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,041	28,804
Bond premium and issuance costs amortization—net	(1,066)	(1,099)
Provision for uncollectible accounts	73,146	79,107
Noncash purchase discount	(1,919)	(1,828)
Loss (gain) on disposal of property, plant, and equipment	278	(1)
Temporarily restricted grants and contributions for capital purposes	(5,344)	(9,260)
Changes in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	(49,962)	(23,548)
Realized loss on sale of securities and change in net unrealized losses on investments—net	1,065	374
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(75,728)	(79,814)
(Increase) decrease in other receivables	(3,385)	353
Increase in due from third-party payors	(3,603)	-
Increase (decrease) in due to third-party payors	654	(2,719)
Decrease in inventories	14	767
Decrease (increase) in prepaid and other current assets	1,690	(1,333)
Decrease in other noncurrent assets	1,426	1,939
Decrease in receivable for insured claims	4,988	902
Increase (decrease) in accounts payable and accrued expenses	2,621	(1,785)
Increase in accrued wages, salaries, and benefits	1,764	3,487
Increase in indigent care assessment	325	421
Decrease in other current liabilities	(538)	(731)
(Decrease) increase in other long-term liabilities	(31)	42
Decrease in liability for self-insured claims	(2,388)	(3,759)
	<u>\$ 42,162</u>	<u>\$ 41,912</u>

(Continued)

## MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (Amounts in thousands)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (67,511)	\$ (74,124)
Proceeds from the sale of property and equipment	396	27
Proceeds from restricted grants and contributions for capital purposes	6,146	9,873
Purchases of investments	(99,171)	(73,119)
Proceeds from sales and maturities of investments	61,520	71,622
Assets whose use is limited:		
Purchases of investments	(118,137)	(218,816)
Proceeds from sales of investments	<u>176,644</u>	<u>248,174</u>
Net cash used in investing activities	<u>(40,113)</u>	<u>(36,363)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from restricted grants and contributions for capital purposes	-	1,862
Repayment of long-term debt	(8,682)	(8,790)
Repayment of capital lease	<u>(7,460)</u>	<u>(5,700)</u>
Net cash used in financing activities	<u>(16,142)</u>	<u>(12,628)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,093)	(7,079)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>32,205</u>	<u>39,284</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 18,112</u>	<u>\$ 32,205</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash paid for interest net of amounts capitalized of \$3,552 and \$2,383 in 2017 and 2016, respectively		
	<u>\$ 11,313</u>	<u>\$ 11,704</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of equipment through long-term debt and capital lease	<u>\$ 38,715</u>	<u>\$ 5,466</u>
Acquisition of equipment through accounts payable and accrued expenses	<u>\$ 12,234</u>	<u>\$ 8,201</u>

See notes to consolidated financial statements.

(Concluded)

# MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**—Mount Sinai Medical Center of Florida, Inc. and subsidiaries (the “Medical Center”) is a Florida not-for-profit corporation incorporated in 1946. The consolidated financial statements of the Medical Center include the accounts of Mount Sinai Medical Center and its wholly owned and controlled subsidiaries. The Medical Center, located in Miami Beach, Florida, is an acute care teaching and research facility, which operates two campuses, several satellite sites, and various physician practices.

**Financial Statement Presentation**—The consolidated financial statements of the Medical Center include the accounts of the Medical Center and its wholly owned subsidiaries, Mount Sinai Medical Center of Florida Guarantee Corporation, and various corporations that operate physician practices. All intercompany transactions are eliminated in consolidation. The Medical Center includes all of the net assets of the Mount Sinai Medical Center Foundation, Inc. (the “Foundation”), as discussed in Note 2.

**Use of Estimates**—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Medical Center considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenues; valuation of patient accounts receivables, including contractual allowances and allowances for uncollectible accounts; provisions for losses and expenses related to health care, professional and general liabilities; estimated third-party settlements; and litigation and regulatory liabilities. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results can differ from those estimates.

**Subsequent Events**—In preparing these consolidated financial statements and in accordance with Accounting Standards Codification (“ASC”) 855, *Subsequent Events*, the Medical Center has evaluated events and transactions for potential recognition or disclosure through March 30, 2018, the date the consolidated financial statements were issued.

**Cash and Cash Equivalents**—Cash and cash equivalents include cash on hand, cash in depository accounts, certificates of deposit, and investments in highly liquid debt instruments with original maturities of three months or less at the time of purchase.

**Valuation of Patient Accounts Receivable**—The Medical Center reports its patient accounts receivable at their net realizable value. The Medical Center determines the net realizable value of its receivables based on established agreements with third-party payors that provide for payments to the Medical Center at amounts that typically differ from its established rates. For services provided to Medicare and Medicaid beneficiaries, estimated

receivables are determined based on the programs' guidelines for reimbursement of services that are either paid at prospectively determined rates per diagnosis or retrospectively determined costs. Receivables from other third-party payors are based primarily on contractual agreements that determine reimbursement for services rendered to beneficiaries of their plans based on predetermined rates per diagnosis, per diem rates, or discounted fee for service rates. As changes in contract terms and the regulatory environment can significantly affect the valuation of its receivables, the Medical Center closely monitors these items along with historical collection rates to ensure the appropriateness of its receivable valuations.

**Investments and Assets Whose Use is Limited**—Investments and assets whose use is limited include cash and short-term investments, equity securities, and debt securities. Short-term investments (held solely within assets whose use is limited) are comprised of money market instruments and commercial paper. Investments in equity securities with readily determinable fair values and all debt securities are stated at fair value in the consolidated balance sheet. Investment income or losses (including realized and unrealized gains and losses on investments, interest and dividends) are included in other revenue, unless the income or loss is restricted by donor or law.

**Inventories**—Inventories consist primarily of pharmaceutical, medical, and surgical supplies and are priced at the lower of cost (determined by the first-in, first-out method) or net realizable value.

**Property and Equipment**—Property and equipment are stated at cost less accumulated depreciation. Donated property and equipment are recorded at fair market value on the date of donation. Depreciation is computed on the straight-line method using estimated useful lives ranging from 3 to 40 years. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized, as are interest costs until the assets are ready for their intended use. Gains and losses on dispositions are recorded in income from operations in the year of disposal.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support and are excluded from excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Property and equipment are more fully described in Note 6 to the consolidated financial statements.

The Medical Center evaluates its long-lived assets for impairment whenever events or changes indicate that their carrying amount may not be recoverable. If circumstances suggest that long-lived assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount.

**Bond Issue Costs**—Unamortized bond issue costs of approximately \$2.9 and \$3.1 million as of December 31, 2017 and 2016, respectively, are included in long term debt-net of current portion in the accompanying consolidated balance sheets. Bond issue costs incurred in obtaining long-term debt are being amortized by a method approximating the interest method over the life of the related debt. Amortization of the bond issue costs is included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

**Patient Service Revenue Net of Contractual Allowances and Discounts**—Patient service revenue net of contractual allowances and discounts is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue net of contractual allowances and discounts is described in Note 3 to the consolidated financial statements.

**Charity Care**—The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in patient service revenue net of contractual allowances and discounts. Charity care is described in Note 4 to the consolidated financial statements.

**Donor-Restricted Grants and Contributions**—Contributions receivable, including unconditional promises to give cash and other assets, is recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of estimated write-offs. Promises made and collected in the same reporting period are recorded when received in the appropriate net asset category. Promises of noncash assets are recorded at their estimated fair value. Conditional promises are recorded at the estimated fair value when donor stipulations are substantially met and the likelihood of not meeting the remaining conditions is remote.

Grants and pledges received with donor restrictions that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from temporary restrictions.

As the Foundation was established to raise funds for the benefit of the Medical Center, it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Foundation holds contributed assets that have restrictions by donors stipulating that these assets be spent for designated purposes at the Medical Center.

During 2017 and 2016, the Foundation contributed approximately \$976,000 and \$736,000, respectively, to the Medical Center for reimbursement of expenditures incurred specifically related to temporarily restricted purposes. Of such amounts, approximately \$976,000 and \$736,000, respectively, represent reimbursement for operating expenditures.

**Excess of Revenues over Expenses**—The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include net assets released from restrictions used for capital purposes.

**Self-Insurance Programs**—The Medical Center is self-insured and retains a portion of the risk for certain employee health claims, workers' compensation claims, and professional liability claims. The provision for estimated self-insured claims is included in malpractice and other insurance expense and includes estimates of the ultimate costs for both asserted and unasserted claims. Self-insurance program costs related to workers' compensation and professional liability are more fully described in Notes 8 and 9, respectively, to the consolidated financial statements.

**Income Taxes**—The Medical Center is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the IRC. The IRC provides for taxation of unrelated business income under certain circumstances. Management has concluded that the Medical Center has no material unrelated business income.

The Medical Center follows the provisions of ASC 740-15-2, *Income Taxes*, and has determined that as of December 31, 2017 and 2016, the Medical Center had no material unrecognized tax benefits. The Medical Center does not expect that unrecognized tax benefits will materially increase within the next 12 months.

In the event the Medical Center were to recognize interest and penalties related to uncertain tax positions, it would be recognized in the consolidated financial statements as income tax expense. Tax years from 2013 through 2016 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. The Act provides for certain changes to the U.S. Internal Revenue Code of 1986, as amended, that impact tax exempt organizations. We do not believe that the enactment of the Act will have a material impact to the Medical Center for the year ended December 31, 2017.

**Electronic Health Records Incentive Payment**—The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). These provisions were designed to increase the use of Electronic Health Records ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payments program beginning in 2011 for eligible hospitals and providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology, but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments. Medicaid EHR incentive payments are fully funded by the federal government and administered by the states; however, the states are not required to offer EHR incentive payments to providers.

During the years ended December 31, 2017 and 2016, the Medical Center recognized HITECH incentives related to having demonstrated meaningful use of, and completed attestations as to their adoption or implementation of, certified EHR technology. The Medicare incentives recognized during the year ended December 31, 2017 were \$1.0 million. The Medicare incentives recognized during the year ended December 31, 2016 were \$1.8 million. These incentive reimbursements are included in other revenue in the consolidated statements of operations and changes in net assets. The Medical Center accounts for EHR incentive payments using the gain contingency model. Pursuant to the gain contingency model, the Medical Center recognizes EHR revenue when the specified meaningful use criteria have been satisfied, as all contingencies in estimating the amount of the incentive payments to be received are resolved. Medicare meaningful use attestations are subject to audit by the federal government or its designee.

**New Accounting Pronouncements**—In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). In August 2015, the FASB amended the guidance to defer the effective date of this standard by one year. ASU 2014-09 affects any entity that either enters into

contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Medical Center will use the modified retrospective method of application to adopt ASU 2014-09 on January 1, 2018. The Medical Center will also use the portfolio approach to apply the new model to classes of payers with similar characteristics and analyze cash collection trends over an appropriate collection look-back period depending on the payer. Adoption of ASU 2014-09 will result in changes to the presentation for and disclosure of revenue related to uninsured or underinsured patients. Prior to the adoption of ASU 2014-09, a significant portion of the provision for doubtful accounts related to self-pay patients, as well as co-pays and deductibles owed to us by patients with insurance. Under ASU 2014-09, the estimated uncollectible amounts due from these patients will generally be considered a direct reduction to net patient service revenues and, correspondingly, result in a material reduction in the amounts presented separately as provision for doubtful accounts. The Medical Center is still evaluating the requirements of the new standard to ensure that it has appropriate processes, systems and internal controls in place to collect the necessary information to implement the standard, which became effective on January 1, 2018. The Medical Center has not finalized its assessment of the impact to its consolidated financial statements from the adoption of this standard.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The update also requires an entity to separately present the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Medical Center may adopt the amendments in the update earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02") which supersedes existing guidance on accounting for leases in "*Leases (Topic 840)*" and generally requires all leases to be recognized in the statement of financial position. The provisions of ASU 2016-02 are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. The provisions of this ASU are to be applied using a modified retrospective approach. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

In August 2016, the FASB Issued ASU 2016-14, *Not-For-Profit Entities—Presentation of Financial Statement of Not-for-Profit Entities (Topic 958)* ("ASU 2016-14"). ASU 2016-14 requires not-for-profit entities to present on the balance sheet amounts for two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) rather than the three classes currently required. Not-for-profit entities are required to enhance disclosures regarding board designations and composition of net assets with donor restrictions. ASU 2016-14 is effective for fiscal years beginning after December 15,

2017, and for interim periods within fiscal years, beginning after December 15, 2018. ASU 2016-14 is applied on a retrospective basis in the year in which the guidance is adopted. Early adoption is permitted. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

In August 2016, the FASB Issued ASU 2016-15, *Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments (Topic 230)* (“ASU 2016-15”). ASU 2016-15 clarifies the guidance on the classification of certain cash receipts and payments in the statement of cash flows related to debt extinguishment costs, distributions received from equity method investees, and proceeds from the settlement of insurance claims. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 2019. Early adoption is permitted. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (“ASU2017-01”). ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. ASU 2017-01 is effective for fiscal years beginning after December 15, 2018, and interim periods with annual periods beginning after December 15, 2019. Early adoption is permitted. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

**Adopted Accounting Pronouncements**—In April 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (Issue 14-B)* (“ASU 2015-07”). ASU 2015-07 removes, from the fair value hierarchy, investments for which the practical expedient (as discussed in ASC 820-10-35-59) is used to measure fair value at net asset value (“NAV”). Instead, an entity is required to include those investments as a reconciling line item so that the total fair value amount of investments in the disclosure is consistent with the amount on the balance sheet. Further, entities must provide the disclosure in ASC 820-10-50-6A only for investments for which they elect to use the NAV practical expedient. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The adoption of ASU 2015-07 did not have a significant impact on the Medical Center’s consolidated financial condition, results of operations or cash flows.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* (“ASU 2015-11”). ASU 2015-11 requires inventories to be valued at the lower of cost or net realizable value. ASU 2015-11 is effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The adoption of ASU 2015-11 did not have an impact on the Medical Center’s consolidated financial condition, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-07, *Investments—Equity Method and Joint Ventures (Topic 323)* (“ASU2016-07”). ASU 2016-07 eliminates the requirement of retroactively accounting for an investment that qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. The update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest, and adopt the equity method of accounting as of the date the investment becomes qualified for equity

method accounting. The provisions of this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The adoption of ASU 2016-07 did not have an impact on the Medical Center's consolidated financial condition, results of operations or cash flows.

In October 2016, the FASB Issued ASU 2016-17, *Consolidation—Interests Held through Related Parties That Are Under Common Control (Topic 810)* ("ASU 2016-17"). ASU 2016-17 clarifies treatment of interests held by a single decision-making entity and other related parties under common control. ASU 2016-17 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2016-17 did not have an impact on the Medical Center's consolidated financial condition, results of operations or cash flows.

## **2. BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.**

The Medical Center accounts for its interests in the Foundation in accordance with ASC 958, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. Pursuant to ASC 958, the Medical Center and the Foundation are financially interrelated organizations. Accordingly, the Medical Center is required to recognize its interest in the net assets of the Foundation and adjust that interest for its share of the change in net assets of the Foundation. As of December 31, 2017 and 2016, all of the net assets held by the Foundation were recorded as a noncurrent asset in the consolidated balance sheets of the Medical Center as a beneficial interest in the net assets of the Foundation.

The Foundation was established to solicit contributions from the general public solely for the funding of operations and capital acquisitions by the Medical Center. Funds are distributed to the Medical Center as determined by the Foundation's Board of Trustees. The Medical Center periodically requests funds from the Foundation for capital or other needs. Such requests are received by the Foundation and, if approved, funds are transferred to the Medical Center. Such transfers of funds are reported in the accompanying consolidated financial statements as contributions from the Foundation. The Medical Center's beneficial interest in the unrestricted and temporarily restricted net assets of the Foundation and its share of the change in those net assets are reported in the accompanying consolidated financial statements in temporarily restricted net assets. The Medical Center's beneficial interest in permanently restricted net assets of the Foundation and its share of changes therein are reported in the accompanying consolidated financial statements in permanently restricted net assets.

The Foundation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of contributions; valuation of accounts receivables, including pledges and receivables under contribution agreements; and valuation of investments. Management relies on historical experience and other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results can differ from those estimates.

A summary of the Foundation's assets, liabilities, net assets, results of operations, and changes in net assets as of December 31, 2017 and 2016, is as follows (amounts in thousands):

	<b>2017</b>	<b>2016</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 5,944	\$ 4,648
Pledges receivable—net	62,806	47,328
Receivables under contribution agreements—net	46,925	29,811
Beneficial interest—Wolfson trust	5,321	4,853
Investments	94,711	78,750
Endowment investment	5,891	5,691
Prepaid expenses and other assets	1,200	1,842
Due from the Medical Center	<u>127</u>	<u>114</u>
Total assets	<u>\$222,925</u>	<u>\$173,037</u>
Total liabilities	<u>\$ 646</u>	<u>\$ 720</u>
<b>Net assets:</b>		
Unrestricted	66,459	53,724
Temporarily restricted	144,608	108,049
Permanently restricted	<u>11,212</u>	<u>10,544</u>
Total net assets	<u>222,279</u>	<u>172,317</u>
Total liabilities and net assets	<u>\$222,925</u>	<u>\$173,037</u>
Total revenues—amounts raised	\$ 49,725	\$ 23,406
Interest, dividends, and other—net <sup>(A)</sup>	5,479	5,416
Operating expenses	(4,266)	(4,538)
Transfers to the Medical Center	<u>(976)</u>	<u>(736)</u>
Increase in net assets	49,962	23,548
Net assets—January 1	<u>172,317</u>	<u>148,769</u>
Net assets—December 31	<u>\$222,279</u>	<u>\$172,317</u>

<sup>(A)</sup> Interest, dividends, and other—net, includes net realized and unrealized gains of \$2.8 million and \$1.6 million for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017, the Foundation's investments and endowment investments consisted of approximately \$1.2 million, \$92.7 million, and \$12.0 million, of Level 1, Level 2, and Level 3 investments, respectively. As of December 31, 2016, the Foundation's investments and endowment investments consisted of approximately \$1.1 million, \$76.7 million, and \$11.5 million, of Level 1, Level 2, and Level 3 investments, respectively.

The Foundation's Level 3 investments consist of approximately \$12 million of financial instruments as of December 31, 2017. These financial instruments are comprised of an investment in donated life insurance policies and the beneficial interest in the Wolfson trust. The fair value of the donated life insurance policies was determined using a valuation model based on the present value of the face amount of the policies, less the present value of the Foundation's expected future premium payments. The present value model utilized the face value, risk-free rate, and life expectancy of the insured to determine the value of the policies. The fair value of the beneficial interest of the trust was based on investment valuations provided by external third-party custodians.

The Foundation's endowment consists of approximately 47 individual funds established for a variety of purposes. The endowment consists of donor-restricted funds that have been limited by donors to a specific time period or purpose. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment net asset composition by fund type as of December 31, 2017, is composed of the following (in thousands):

	<b>Endowment Net Asset Composition by Fund Type</b>	
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Alzheimer's program	\$ 6,200	\$ -
MSMC 50 Years (Patient Tower)	39,542	-
Melanoma research	2,109	-
Cancer lifeline	400	-
Cancer research	1,581	-
Other programs	<u>14,021</u>	<u>5,891</u>
Total funds	<u>\$63,853</u>	<u>\$5,891</u>

The endowment net asset composition by fund type as of December 31, 2016, is composed of the following (in thousands):

	<b>Endowment Net Asset Composition by Fund Type</b>	
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Alzheimer's program	\$ 6,604	\$ -
MSMC 50 Years (Patient Tower)	12,710	-
Melanoma research	2,606	-
Cancer lifeline	929	-
Cancer research	1,937	-
Other programs	<u>14,598</u>	<u>5,691</u>
Total funds	<u>\$39,384</u>	<u>\$5,691</u>

### 3. NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

**Medicare**—As of October 1, 2007, Medicare changed its reimbursement methodology from Diagnostic Related Groups ("DRG") to Medicare Severity Diagnostic Related Groups ("MS-DRGs"), thus, expanding the number of DRGs available for coding patient accounts. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge based on MS-DRGs. MS-DRG rates vary based on clinical diagnostic and other factors. Outpatient services rendered to Medicare beneficiaries are paid on a fee schedule under a Prospective Payment System based upon Ambulatory Patient Classification ("APC"). Under this system, each outpatient encounter could result in the assignment of multiple APC payments.

Rehabilitation services rendered to Medicare beneficiaries are paid under prospectively determined rates per discharge based upon assignment to a Case Mix Group ("CMG"). CMG rates vary based on clinical, diagnostic, and other factors. Management believes that the Medical Center's inpatient rehabilitation facility complies with the Centers for Medicare and Medicaid Services' ("CMS") "60% rule," whereby 60% of its patient population has one of the 13 conditions as designated by CMS.

Inpatient psychiatric services are paid using a prospectively determined per diem rate based on a MS-DRG assignment adjusted by patient-specific factors, such as comorbidity, age, length of stay, and other hospital-specific factors.

The Medical Center is still reimbursed for cost reimbursable items, such as direct and indirect medical education, disproportionate share, and bad debts. These are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary.

During 2017 and 2016, the Medical Center recorded an increase to Medicare net patient service revenue of approximately \$2.7 million and \$3.3 million to reflect changes in prior-

year reimbursement estimates related to the settlement of outstanding cost reports, settlements related to audits conducted under the Recovery Audit Contractor Program, and the impact of revaluations on open cost report years. During 2017, there were cost report settlements for years 2007-2009. During 2016, there were no cost report settlements.

All Medicare cost report years subsequent to fiscal year 2009 remain open and subject to audit. Due to the uncertainty and significant estimates surrounding the ultimate acceptance of such matters by the fiscal intermediaries, management relies on historical experience and other assumptions believed to be reasonable under the circumstances in making its judgments and estimates of third-party balances at year-end. As the Medical Center receives additional information, or as facts and circumstances change with respect to the unsettled cost reporting years, changes in estimates could significantly affect the results of operations of the Medical Center and are recorded in the period that such determinations are made. In 2017 and 2016, approximately 23% and 25% of the Medical Center's patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, was for services to Medicare beneficiaries.

**Medicaid**—Less than 1.6% and 1% of the Medical Center's patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, for 2017 and 2016, was derived from the Medicaid program. As of July 1, 2013, Medicaid changed its reimbursement methodology for inpatient services from a cost-based fee-for-service model to a prospective payment methodology utilizing All Patient Refined Diagnosis Related Groups ("APR-DRGs"). Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to certain cost and regional limits.

Changes to policy and regulation in the Medicare and Medicaid programs could have an adverse or positive impact on the Medical Center's operations. Final determination of amounts earned pursuant to the Medicare and Medicaid programs is subject to review by appropriate governmental authorities or their agent.

**Other Third-Party Payors**—The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

In 2017 and 2016, approximately 56% and 55% of the Medical Center's patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, was for services to nongovernmental third-party payors, respectively.

**Uninsured Patients**—The Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Historically, a significant portion of the Medical Center's uninsured patients will be unable to pay for the services provided. As such, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of patient accounts receivable the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in

evaluating the sufficiency of the allowance for uncollectible accounts. For all payor types, when the Medical Center can no longer reasonably estimate collectability of an account based on the aging of the balance due and the volatility and unpredictable nature of the amount, the Medical Center reserves substantially all amounts due.

Patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, recognized for the years ended December 31, 2017 and 2016, consisted of the following (amounts in thousands):

	<b>2017</b>	<b>2016</b>
Gross patient service revenue:		
Medicare	\$ 705,481	\$ 724,987
Managed care	1,673,108	1,494,659
Medicaid	68,864	63,774
Self-pay and other	<u>194,092</u>	<u>193,078</u>
Total	2,641,545	2,476,498
Less discounts and allowances	<u>(2,013,520)</u>	<u>(1,861,935)</u>
Patient service revenue net of contractual allowances and discounts	<u>\$ 628,025</u>	<u>\$ 614,563</u>

Gross patient service revenue is recorded on the accrual basis in the period in which services are provided at established rates. Contractual adjustments are recorded as deductions from gross patient service revenue to determine patient service revenue net of contractual allowances and discounts.

The activity in the Medical Center's allowance for uncollectable accounts for the years ended December 31, 2017 and 2016, is summarized as follows:

	<b>2017</b>	<b>2016</b>
Balance, beginning of year	\$ 43,238	\$ 40,494
Provision, during the year	73,146	79,107
Accounts written-off (net of recoveries)	<u>(77,794)</u>	<u>(76,363)</u>
Balance, end of year	<u>\$ 38,590</u>	<u>\$ 43,238</u>

#### **4. CHARITY AND UNCOMPENSATED CARE**

The Medical Center maintains records to identify and monitor the level of charity care it provides. The Medical Center does not pursue collection of amounts determined to qualify as charity care and does not report such amount as revenue. Uninsured patients treated at the Medical Center who have income at or below 200% of the federal poverty level are eligible for charity or discounts on charges. The federal poverty level is established by the federal government and is based on income and family size. The amount of gross charges foregone for services identified as charity care were approximately \$66.0 million and \$53.1 million in 2017 and 2016, respectively. Such services represented approximately

2.5% and 2.1% of the gross charges of the Medical Center in 2017 and 2016, respectively. The Medical Center's estimated total cost of caring for patients that qualify fully or partially for charity care in 2017 was approximately \$18.0 million, of which \$4.2 million was related to services covered by third party payors. The Medical Center received approximately \$1.9 million as reimbursement for these services. The total cost of caring for patients that qualify fully or partially for charity care in 2016 was approximately \$19.8 million, of which \$6.7 million was related to services covered by third party payors. The Medical Center received approximately \$2.6 million as reimbursement for these services.

The Medical Center receives disproportionate share hospital (DSH) payments, which are intended to mitigate the cost of uncompensated care provided to indigent patients. Revenues attributable to DSH payments were approximately \$16.8 million and \$19.2 million for 2017 and 2016, respectively, and are reflected in net patient service revenue. The total cost to provide other uncompensated care, excluding those patients that qualified for charity care, was approximately \$13.3 million and \$17.4 million for 2017 and 2016, respectively. The total cost to provide other uncompensated care is measured as the estimated cost for caring for uninsured patients and uninsured patients who have applied to the Medicaid program. These estimated costs are based on the Medical Center's cost accounting system.

## 5. INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited at December 31, 2017, are stated at fair value as follows:

<b>Investments and Assets Whose Use Is Limited</b>	<b>Investments</b>	<b>Assets Whose Use Is Limited</b>	<b>Total</b>
Cash and short-term investments	\$ -	\$25,374	\$ 25,374
Certificates of deposit	191,959	-	191,959
U.S. Treasury obligations	24,323	-	24,323
U.S. Agency obligations	4,055	-	4,055
Corporate bonds	12,904	-	12,904
Agency-backed securities	1,893	-	1,893
Agency mortgaged-backed securities	10,245	-	10,245
Hedge funds	1,343	-	1,343
Mutual funds	11,112	-	11,112
Equity securities	2,023	-	2,023
Interest receivable	<u>340</u>	<u>16</u>	<u>356</u>
Total	<u>\$260,197</u>	<u>\$25,390</u>	<u>\$285,587</u>

Investments and assets whose use is limited at December 31, 2016, are stated at fair value as follows:

<b>Investments and Assets Whose Use Is Limited</b>	<b>Investments</b>	<b>Assets Whose Use Is Limited</b>	<b>Total</b>
Cash and short-term investments	\$ -	\$83,880	\$ 83,880
Certificates of deposit	143,671	-	143,671
U.S. Treasury obligations	31,976	-	31,976
U.S. Agency obligations	4,461	-	4,461
Municipal bonds	900	-	900
Corporate bonds	12,394	-	12,394
Agency-backed securities	697	-	697
Agency mortgaged-backed securities	11,266	-	11,266
Hedge funds	940	-	940
Mutual funds	10,891	-	10,891
Equity securities	6,133	-	6,133
Interest receivable	<u>282</u>	<u>17</u>	<u>299</u>
Total	<u>\$223,611</u>	<u>\$83,897</u>	<u>\$307,508</u>

Funds held by trustee of approximately \$13.1 million and \$74.6 million as of December 31, 2017 and 2016, are presented as a component of assets whose use is limited in the consolidated balance sheets, respectively. Funds held by the trustee primarily relate to assets held in the construction and bond reserve accounts pursuant to the bond indenture agreement. See Note 7 of the consolidated financial statements.

Investment income, including gains and losses for assets whose use is limited, cash and cash equivalents, and investments, is included as a component of other revenue in the consolidated statements of operations and changes in net assets. The components of investment income for the years ended December 31, 2017 and 2016, are composed of the following (amounts in thousands):

	<b>2017</b>	<b>2016</b>
Investment income:		
Interest and dividend income	\$3,942	\$3,063
Net realized losses on sales of securities	(663)	(359)
Net unrealized losses on investments	<u>(402)</u>	<u>(14)</u>
Total	<u>\$2,877</u>	<u>\$2,690</u>

## 6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 and 2016, are summarized as follows (amounts in thousands):

	<b>2017</b>	<b>2016</b>
Land and land improvements	\$ 11,961	\$ 11,961
Buildings and improvements	306,955	280,021
Equipment and software	128,628	161,650
Capital lease equipment	<u>51,575</u>	<u>18,253</u>
Total	499,119	471,885
Less accumulated depreciation	<u>(312,357)</u>	<u>(289,962)</u>
Total	186,762	181,923
Construction in progress	<u>146,329</u>	<u>73,625</u>
Property and equipment—net	<u>\$ 333,091</u>	<u>\$ 255,548</u>

Depreciation expense for the years ended December 31, 2017 and 2016, amounted to approximately \$32.0 million and \$28.8 million, respectively. The estimated cost to complete construction in progress for 2017 is approximately \$252 million. Accumulated depreciation for equipment under capital lease obligation was approximately \$14.2 million and \$5.9 million as of December 31, 2017 and 2016, respectively. Interest capitalized during fiscal years 2017 and 2016 was approximately \$3.5 million and \$2.4 million, respectively.

During 2017 and 2016, the Medical Center incurred approximately \$5.3 million and \$9.3 million, respectively, for capital expenditures related to the hurricane preparedness programs, the Lowenstein Workforce program, and other grants that are expected to be reimbursed by grantors. Such amounts have been recorded as an increase in unrestricted net assets in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2017 and 2016.

## 7. LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt, notes payable, and capital lease obligations as of December 31, 2017 and 2016, consisted of the following (amounts in thousands):

	<b>2017</b>	<b>2016</b>
Hospital Revenue Refunding Bonds, Series 2014—inclusive of net unamortized premium of \$8,777 and \$9,261 and net unamortized issuance costs of \$2,044 and \$2,132 at December 31, 2017 and 2016, respectively	\$174,173	\$175,689
Hospital Revenue Refunding Bonds, Series 2012—inclusive of net unamortized premium of \$4,135 and \$4,947 and net unamortized issuance costs of \$848 and \$990 at December 31, 2017 and 2016, respectively	104,443	111,328
Capital leases with interest rates between 2.07% and 3.69%, with maturities through March 2025, collateralized by equipment	41,980	10,724
Promissory notes with interest rate of 3.74% and 2.94% at December 31, 2017 and 2016, respectively, and maturities in August 2022	<u>8,178</u>	<u>9,526</u>
Total long-term debt	328,774	307,267
Less current portion	<u>15,184</u>	<u>20,446</u>
Long-term debt-net of current portion	<u>\$313,590</u>	<u>\$286,821</u>

On September 4, 2014, the Medical Center, exclusive of certain subsidiaries and inclusive of the Foundation (collectively, the "Obligated Group") issued, through the City of Miami Beach Health Facilities Authority (the "Authority"), \$170,895,000 of its Hospital Revenue Refunding Bonds, Series 2014 (the "Series 2014 Bonds"). The Series 2014 Bonds were issued as fully registered bonds and bear fixed interest at rates ranging from 1.5% to 5.0%, payable semiannually on May 15 and November 15, commencing November 15, 2014. The proceeds from the sale of the Series 2014 Bonds will be used, together with other available funds, to (i) finance or reimburse the Medical Center for the costs of new capital improvements and capital expenditures on its Main Campus, (ii) refund and redeem all of the outstanding principal amount of the Hospital Revenue Bonds, Series 2004 Bonds (the "Series 2004 Bonds") and (iii) fund certain expenses incurred in connection with the issuance of the Series 2014 Bonds and the refunding of the Series 2004 Bonds. The Series 2014 Bonds are made up of serial bonds, which mature each year on November 15 commencing 2014 through 2030, and term bonds, which mature on November 15, 2034, 2039 and 2044.

On September 11, 2012, the Obligated Group issued, through the City of Miami Beach Health Facilities Authority \$132,285,000 of its Hospital Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"). The Series 2012 Bonds were issued as fully registered bonds and bear fixed interest at rates ranging from 2% to 5%, payable semiannually on May 15 and November 15, commencing November 15, 2012. The Series 2012 Bonds were issued with the purpose of providing funds, together with other available funds, to (i) refund and redeem all of the Authority's outstanding Hospital Revenue Bonds, Series 1998 (the "Series 1998 Bonds"), (ii) refund and redeem all of the Authority's outstanding Hospital Revenue Bonds, Series 2001A ( the "Series 2001A

Bonds”), (iii) fund the Bond Reserve Account established under the Bond Indenture, and (iv) pay certain expenses in connection with the issuance of the Series 2012 Bonds and the refunding of the Series 1998 and Series 2001A Bonds. The Series 2012 Bonds are made up of serial bonds, which mature each year on November 15 commencing 2012 through 2023, and term bonds, which mature on November 15, 2025 and 2029.

All outstanding bonds (Series 2012 and Series 2014 Bonds) have been unconditionally guaranteed by the Foundation pursuant to the restated and amended guarantee agreement dated April 1, 2004, between the Foundation and the bond trustee (the “Guaranty Agreement”) and are collateralized by a first mortgage of all of the Medical Center’s property, rights to certain leases, and all monies, proceeds, and other properties received or owned by the Medical Center.

On June 6, 2012, the Medical Center entered into a Term Loan Facility (the “Facility”) available in multiple principal draws with City National Bank of Florida with a total borrowing capacity of \$20 million. On August 5, 2017, this Term Loan agreement was amended to a maturity date of August 15, 2022. The promissory notes borrowed under the Facility were used to finance payments made to Aptium pursuant to the purchase of Comprehensive Cancer Centers, Inc. (CCC). Additional borrowings under the Facility shall be used to support the Medical Center’s future capital project(s) and for general corporate purposes. The interest rate on amounts drawn is based on the 30-day London InterBank Offered Rate, plus 2.45% and is subject to change based on the Medical Center’s long-term Moody’s rating.

On March 3, 2017, the Medical Center entered into two Capital Lease Agreements with Banc of America for the procurement of various capital equipment totaling \$18.9 million and \$16.0 million, respectively. The interest rate for both capital leases is 3.69%.

As of December 31, 2017, the scheduled principal repayments on long-term debt, notes payable, and capital lease obligations for the next five years and thereafter are as follows (amounts in thousands):

<b>Years Ending December 31</b>	<b>Revenue Bonds</b>	<b>Notes Payable</b>	<b>Capital Lease Obligations</b>	<b>Total</b>
2018	\$ 7,630	\$ 883	\$ 8,018	\$ 16,531
2019	7,935	883	8,261	17,079
2020	8,335	882	8,419	17,636
2021	8,750	883	6,199	15,832
2022	9,185	4,647	5,077	18,909
Thereafter	<u>226,761</u>	<u>-</u>	<u>16,953</u>	<u>243,714</u>
Total	268,596	8,178	52,927	329,701
Interest on capital leases	-	-	(10,947)	(10,947)
Unamortized issuance cost	(2,892)	-	-	(2,892)
Unamortized bond premium	<u>12,912</u>	<u>-</u>	<u>-</u>	<u>12,912</u>
Total	<u>\$278,616</u>	<u>\$8,178</u>	<u>\$ 41,980</u>	<u>\$328,774</u>

Under the Amended and Restated Master Trust Indenture dated December 1, 1998 and the Supplementary Master Trust Indenture for Obligation No. 9 and Obligation No. 10 dated, September 1, 2012 and September 1, 2014, respectively, the Obligated Group is subject to certain covenants.

## **8. WORKERS' COMPENSATION**

The Medical Center is self-insured for workers' compensation claims. The costs of such claims are paid by the Medical Center; however, the Medical Center has commercial insurance coverage on a per occurrence basis in excess of \$500,000 with no aggregate limit. The Medical Center has a restricted fixed deposit investment of \$338,000 as collateral for its workers' compensation claims. The Medical Center has accrued a discounted liability of approximately \$5.5 million and \$6.0 million as of December 31, 2017 and 2016, respectively, for the future payment of known workers' compensation claims, as well as an estimate for incurred but not yet reported claims. As of December 31, 2017 and 2016, the discounted liability is classified as \$2.0 million and \$2.3 million in other current liabilities and \$3.4 million and \$3.7 million as liability for self-insured claims in the Medical Center's consolidated balance sheets, respectively. The undiscounted liability was \$5.8 million and \$6.4 million at December 31, 2017 and 2016, respectively. The estimated liability for self-insured claims—net of current portion has been discounted over the expected payout period using a discount rate of 2% in 2017 and 2016. Workers' compensation losses and loss adjustment expenses in the consolidated statements of operations and changes in net assets for 2017 and 2016 were approximately \$1.5 million and \$2.1 million, respectively, and are included in malpractice and other insurance—net of recoveries. Recoveries in 2017 and 2016 were not material to the consolidated financial statements.

## **9. PROFESSIONAL LIABILITY PROGRAM**

The Medical Center maintains a risk management program to proactively monitor and identify known professional and general liability claims during the year and a related performance improvement program to improve process in selected areas, which is designed to lessen risk. Comprehensive general liability is covered under the Medical Center's professional and general liability policies.

The Medical Center has a professional liability policy, which provides coverage for all medical malpractice claims reported to the insurance carrier during the policy term. In February 2004, the Medical Center created a wholly owned captive, Mount Sinai Medical Center of Florida Guarantee Corporation, a Cayman-based company, to gain direct access to the reinsurance markets for the Medical Center's professional liability program. The Medical Center's program fixes the Medical Center's self-insurance retention for professional and general liability at \$5 million per incident, with no aggregate limit per year. The Medical Center is also responsible for any claim in excess of \$85 million, with no aggregate limit per year.

Management estimates the liabilities associated with professional liability risks. As a component of this process, management obtains an opinion from an independent actuary as to the estimated liability for both asserted and unasserted claims not covered by insurance. The actuary estimates the liability using a mix of industry experience and the actual malpractice loss experience of the Medical Center as reported under the Medical Center's risk management system. The estimated liability for self-insured claims has been discounted over the expected payout period using a discount rate of 2% for 2017 and 2016. At December 31, 2017 and 2016 the Medical Center recorded discounted

professional liability reserves of approximately \$72.4 million and \$76 million and a corresponding receivable related to expected reinsurance recoveries in the amount of approximately \$16.6 million and \$23.6 million, respectively. Approximately \$19.8 million and \$21.2 million is included in other current liabilities and \$52.6 million and \$55 million in liability for self-insured claims—net of current portion in the accompanying consolidated balance sheets as of December 31, 2017 and 2016, respectively. Approximately \$4.5 million and \$6.6 million of the corresponding receivable is classified as prepaid and other assets and \$12.0 million and \$17.0 million is classified as receivable for insured claims in the accompanying consolidated balance sheets at December 31, 2017 and 2016, respectively.

During 2017 and 2016, respectively, the Medical Center recorded a \$9.8 million and \$14.5 million reduction to malpractice and other insurance expense in the accompanying consolidated statements of operations due to a change in estimate resulting from favorable development and settlements of historical outstanding claims.

The Medical Center has established a separate revocable trust to fund the actuarially computed liability for the anticipated losses under this program, which has been funded in accordance with the actuary's recommendations. The Medical Center's contribution to the trust was approximately \$8.8 million and \$8.7 million in 2017 and 2016, respectively.

#### **10. CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Medical Center to concentrations of credit risk consist principally of cash and cash equivalents, investments, assets whose use is limited, and patient accounts receivable.

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of December 31, 2017 and 2016, was as follows:

	<b>2017</b>	<b>2016</b>
Medicare	18 %	23 %
Medicaid	2	3
Managed care	61	53
Other third-party payors	2	1
Self-pay	<u>17</u>	<u>20</u>
Total	<u>100 %</u>	<u>100 %</u>

#### **11. RETIREMENT PLAN**

During 2000, the Medical Center established a defined contribution plan with employer matching based on each employee's contributions and years of service. Employees are eligible for participation upon their employment. Vesting in the plan is based upon years of service. Total employer expense for the years ended December 31, 2017 and 2016, amounted to approximately \$4.3 million and \$3.8 million, respectively.

## 12. INDIGENT CARE ASSESSMENT

The Health Care Consumer Protection and Awareness Act of 1984 (the "Act") created a fund to provide for the treatment of indigent patients. Hospitals in the state of Florida are required to deposit into the fund an amount equal to 1.5% of net inpatient and 1% of net outpatient revenue. The Act specifies that payments will be due in quarterly installments beginning approximately six months after the Medical Center's year-end. As of December 31, 2017 and 2016, the Medical Center had accrued indigent care assessment liabilities of approximately \$8.5 million and \$8.1 million, respectively. This liability relates to the estimated current reporting period plus any unpaid amounts from the preceding fiscal year(s).

## 13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are principally held by the Foundation and have been donated for multiple programs and initiatives at the Medical Center principally related to furthering the advancement of patient care.

Temporarily restricted net assets as of December 31, 2017 and 2016, are available for the following purposes (amounts in thousands):

	<b>2017</b>	<b>2016</b>
Beneficial interest in unrestricted Foundation net assets	\$ 66,459	\$ 53,724
Beneficial interest in temporarily restricted Foundation net assets:		
Pledges receivable and receivables under contribution agreements	80,755	68,665
All other program grants	<u>63,853</u>	<u>39,384</u>
	<u>\$211,067</u>	<u>\$161,773</u>

## 14. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are primarily held by the Foundation, are reported at fair value, and are restricted to investment and reinvestment in perpetuity, the income from which is expendable to support various programs sponsored by the Medical Center in the areas of oncology and medical education. Permanently restricted net assets totaled approximately \$11.2 million as of December 31, 2017 and \$10.5 million as of December 31, 2016.

## 15. FUNCTIONAL EXPENSES

The Medical Center provides general health care services to residents within its geographic location. The Medical Center also provides support for the improvement of health care delivery through clinical investigation and research programs.

Expenses related to providing these services for the years ended December 31, 2017 and 2016, are as follows (amounts in thousands):

	<b>2017</b>	<b>2016</b>
Health care services	\$ 353,999	\$ 339,451
Research	8,815	5,872
General and administrative	<u>218,815</u>	<u>202,884</u>
Total expenses	<u>\$ 581,629</u>	<u>\$ 548,207</u>

## **16. JOINT VENTURE INVESTMENTS**

Mount Sinai Medical Center has a 33% joint venture in Dimension Health, Inc., a hospital member only PPO. This joint venture was established in 1985 and it provides PPO network access to insurance companies. It is accounted for under the equity method. The Medical Center's investment in the joint venture, which is recorded in other assets in the consolidated financial statements, was approximately \$826,000 and \$818,000, as of December 31, 2017 and 2016, respectively.

During 2006, the Medical Center finalized its joint venture agreement with Landmark Healthcare Facilities, LLC ("Landmark") to develop and construct a 100,000 square foot medical office building and 500 stall parking garage (the "Project") on the Medical Center's campus. The building is owned and operated by Mount Sinai Medical Center Complex, LLC (the "LLC"), a Florida limited liability company in which Landmark and the Medical Center own membership interests of 75% and 25%, respectively. Profits and losses are shared among the members in accordance with their percentage ownership.

The Medical Center paid approximately \$2.3 million for its initial membership interest and has accounted for its interest in the joint venture under the equity method of accounting. As of December 31, 2017 and 2016, the Medical Center's investment in the joint venture is reflected in other assets in the consolidated financial statements at \$0.

In 2006, a ground lease was entered into between the LLC and the Medical Center to lease the land on which the Project was developed for 50 years. Under the terms of the agreement, the LLC began to remit an annual ground lease payment of \$100,000, paid in monthly installments, to the Medical Center, which will increase by 3% on an annual basis commencing on the anniversary date of the initial lease payment. The Medical Center has an option to acquire the remaining membership interests in the Project after the first 10 years of operations at the then fair market value of tenant improvements less the related mortgage balances outstanding. Currently, the Medical Center does not intend to exercise this option. Management of the Medical Center has concluded that the fair market value of this option is not material to the consolidated financial statements and has not recorded any value for the option as of December 31, 2017 and 2016.

During 2012, the Medical Center entered into an affiliation with Miami Jewish Health System for the operations of the Miami Jewish Home Health Agency LLC. This partnership composed of a 50%-50% membership interest. This agreement called for an initial investment of \$425,000 in 2013 by each member. An additional investment of \$250,000 was paid in 2015. Profits and losses are shared among the members in accordance with their percentage ownership. As of December 31, 2017 and 2016, the Medical Center's investment in the joint venture is recorded in other assets in the consolidated financial statements at \$976,000 and \$636,000, respectively.

## 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Medical Center in estimating the fair value of its financial instruments:

**Cash and Cash Equivalents**—The carrying amount reported in the consolidated balance sheets for cash and cash equivalents approximates its fair value.

**Investments and Assets Whose Use is Limited**—The Medical Center has elected the fair value option for all investments in debt and equity securities, excluding equity method investments. The Medical Center classifies investments according to a hierarchy of techniques used to determine fair value based on the types of inputs.

**Level 1**—inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that are available as of the measuring date.

**Level 2**—inputs are quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets other than quoted prices in Level 1 or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3**—inputs are unobservable inputs that are significant to the overall fair value measurement. Level 3 assets and liabilities include financial instruments for which fair values are determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Transfers between levels occur when there are changes in the determination of whether inputs are observable or not, as well as due to changes in market activity. As a result of adopting ASU 2015-07, hedge funds are now categorized as investments measured at net asset value. This adoption required a restatement of the December 31, 2016 fair value measurements disclosure.

There were no other changes to level classifications for securities held at December 31, 2017.

The disclosure of fair value measurements as of December 31, 2017, is as follows (amounts in thousands):

Description	Fair Value Measurement at Reporting Date			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments in fair value hierarchy:				
Cash and short-term investments	\$ 25,374	\$ -	\$ -	\$ 25,374
Certificate of deposits	-	191,959	-	191,959
U.S. Treasury obligations	-	24,323	-	24,323
U.S. Agency obligations	-	4,055	-	4,055
Corporate bonds	-	12,904	-	12,904
Agency-backed securities	-	1,893	-	1,893
Agency mortgaged-backed securities	-	10,245	-	10,245
Mutual funds	11,112	-	-	11,112
Equity securities	2,023	-	-	2,023
Interest receivable	340	16	-	356
Total investments in fair value hierarchy	38,849	245,395	-	284,244
Investments measured at net asset value:				
Hedge funds	-	-	-	1,343
Total	<u>\$ 38,849</u>	<u>\$ 245,395</u>	<u>\$ -</u>	<u>\$ 285,587</u>

The disclosure of fair value measurements as of December 31, 2016, is as follows (amounts in thousands):

Description	Fair Value Measurement at Reporting Date			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments in fair value hierarchy:				
Cash and short-term investments	\$ 27,783	\$ 56,097	\$ -	\$ 83,880
Certificate of deposits	-	143,671	-	143,671
U.S. Treasury obligations	-	31,976	-	31,976
U.S. Agency obligations	-	4,461	-	4,461
Municipal bonds	-	900	-	900
Corporate bonds	-	12,394	-	12,394
Agency-backed securities	-	697	-	697
Agency mortgaged-backed securities	-	11,266	-	11,266
Mutual funds	10,891	-	-	10,891
Equity securities	6,133	-	-	6,133
Interest receivable	282	17	-	299
Total investments in fair value hierarchy	45,089	261,479	-	306,568
Investments measured at net asset value:				
Hedge funds	-	-	-	940
Total	<u>\$ 45,089</u>	<u>\$ 261,479</u>	<u>\$ -</u>	<u>\$ 307,508</u>

Hedge funds, which can be redeemed at net asset value daily, are excluded from the fair value hierarchy because their fair value is recorded using the net asset value per share, or its equivalent, as a practical expedient. The fair value amounts presented for such investments are intended to permit reconciliation of the fair value hierarchy to the investments and assets whose use is limited presented in the consolidated balance sheet.

**Patient Accounts Receivable and Other Receivables**—The carrying amount reported in the consolidated balance sheets for patient accounts receivable and other receivables, net of estimated allowances for contractual allowances and bad debts, approximates fair value.

**Accounts Payable, Accrued Expenses, and Other Liabilities**—The carrying amounts reported in the consolidated balance sheets for accounts payable, accrued expenses, and other liabilities approximate their fair value because of their short-term duration.

**Long-Term Debt and Capital Leases**—The fair values of the Medical Center’s long-term debt is estimated based on the quoted market price for the same or similar bond issues or on the Medical Center’s current incremental borrowing rates for similar types of borrowing arrangements. The carrying amounts reported in the consolidated balance sheets for the capital leases and the promissory notes approximate their fair values. As of December 31, 2017, the Medical Center’s long-term debt was classified as Level 2.

The carrying amounts and estimated fair values of the Medical Center’s long-term debt as of December 31, 2017 and 2016, were as follows (amounts in thousands):

	2017		2016	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Long-term debt and capital leases (including current portion)	<u>\$341,927</u>	<u>\$328,774</u>	<u>\$314,231</u>	<u>\$307,267</u>

## 18. COMMITMENTS AND CONTINGENCIES

**Operating Leases**—The Medical Center’s operating leases are primarily related to a land lease, office rental costs, copy machines, and miscellaneous medical equipment. The Medical Center leases office space under agreements that provide for terms of 3 to 10 years, subject to negotiated renewals at the end of each lease. Rents are adjusted annually for changes in the Consumer Price Index. Miscellaneous equipment leases, such as copy machines, are subject to automatic renewal at the end of their respective lease terms for successive one-year periods under renegotiated terms and conditions. Total rental expenses charged to operations for the years ended December 31, 2017 and 2016, amounted to \$8.2 million and \$7.1 million, respectively.

The schedule of approximate minimum future rental payments on noncancelable leases in effect for each of the five succeeding fiscal years is as follows (amounts in thousands):

**Years Ending  
December 31**

2018	\$ 2,114
2019	2,693
2020	2,596
2021	2,251
2022	1,504
Thereafter	<u>5,192</u>
 Total	 <u>\$16,350</u>

**Research Grants**—The Medical Center receives funding to conduct basic and clinical medical research from its sponsors, which include the federal government, industry, and the Foundation. Principal areas of ongoing research include studies in cardiovascular, oncology, neuroscience, and pulmonary disciplines. In accordance with most of the funding contracts, the Medical Center is subject to independent verification of expenditures and research results under the contract terms. It is management’s opinion that any potential retroactive adjustments to grant revenues for compliance-related matters would not have a material effect on the consolidated financial statements of the Medical Center.

In October 2009, the Medical Center entered into an agreement with the State of Florida under its Community Workforce Housing Innovation Pilot program (“CWHIP”) to assist the Medical Center in covering the construction costs of the renovation of the Lowenstein building. The CWHIP program was created to provide affordable rental and home ownership community workforce housing for essential services personnel affected by the high cost of housing using regulatory incentives and state and local funds to promote local public-private partnerships and leverage government and private resources. Under the program, the Medical Center entered into a forgivable loan agreement with the Florida Housing Finance Corporation to provide a construction loan with a principal amount of \$3.3 million, which upon compliance with the terms of the land use restriction would be completely forgiven on November 1, 2059. At December 31, 2017, management believes that it is fully compliant with terms of the agreement.

**Litigation**—The Medical Center is involved in litigation, regulatory reviews, and government investigations arising in the normal course of business. Management is unable to predict the occurrence, timing or outcome of any regulatory or other government investigations at this time.

**Other Industry Risks**—The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Management believes that the Medical Center has an effective compliance program in place to assist management in complying with current laws and regulations.

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**SUPPLEMENTAL DIVISIONAL INFORMATION**

# MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

## SUPPLEMENTAL DIVISIONAL BALANCE SHEET INFORMATION AS OF DECEMBER 31, 2017

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	Hospital (Core)	Other Health Care Services Division	Total
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 18,112	\$ -	\$ 18,112
Temporary investments	260,197	-	260,197
Patient accounts receivable—net of allowance for uncollectible accounts	-	-	-
	71,944	-	71,944
Other receivables	2,546	4,673	7,219
Due from third party payors	3,603	-	3,603
Inventories	9,588	-	9,588
Prepaid and other assets	<u>10,399</u>	<u>-</u>	<u>10,399</u>
Total current assets	<u>376,389</u>	<u>4,673</u>	<u>381,062</u>
ASSETS WHOSE USE IS LIMITED:			
Funds held by trustee	13,127	-	13,127
Self-insurance trust fund	2,476	-	2,476
Other investments	<u>9,787</u>	<u>-</u>	<u>9,787</u>
Total assets whose use is limited	<u>25,390</u>	<u>-</u>	<u>25,390</u>
BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.			
	222,279	-	222,279
PROPERTY, PLANT AND EQUIPMENT—Net	319,970	13,121	333,091
RECEIVABLE FOR INSURED CLAIMS	12,050	-	12,050
OTHER ASSETS	<u>2,777</u>	<u>-</u>	<u>2,777</u>
<b>TOTAL ASSETS</b>	<b><u>\$958,855</u></b>	<b><u>\$17,794</u></b>	<b><u>\$976,649</u></b>

(Continued)

# MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

## SUPPLEMENTAL DIVISIONAL BALANCE SHEET INFORMATION AS OF DECEMBER 31, 2017

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	Hospital (Core)	Other Health Care Services Division	Total
<b>LIABILITIES AND NET ASSETS</b>			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 34,180	\$ 440	\$ 34,620
Accrued wages, salaries and benefits	28,388	-	28,388
Indigent care assessment—current portion	5,158	-	5,158
Other current liabilities	31,214	5,005	36,219
Due to third-party payors	15,626	-	15,626
Current portion of long-term debt capital leases	6,671	-	6,671
Current portion of long-term debt	<u>8,513</u>	<u>-</u>	<u>8,513</u>
Total current liabilities	129,750	5,445	135,195
LONG TERM DEBT CAPITAL LEASES—Net current portion	35,309	-	35,309
LONG TERM DEBT—Net of current portion	278,281	-	278,281
INDIGENT CARE ASSESSMENT—Net of current portion	3,303	-	3,303
OTHER LONG-TERM LIABILITIES	295	-	295
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>56,030</u>	<u>-</u>	<u>56,030</u>
Total liabilities	<u>502,968</u>	<u>5,445</u>	<u>508,413</u>
NET ASSETS:			
Unrestricted	233,608	12,349	245,957
Temporarily restricted	211,067	-	211,067
Permanently restricted	<u>11,212</u>	<u>-</u>	<u>11,212</u>
Total net assets	<u>455,887</u>	<u>12,349</u>	<u>468,236</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$958,855</b></u>	<u><b>\$17,794</b></u>	<u><b>\$976,649</b></u>

(Concluded)

# MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

## SUPPLEMENTAL DIVISIONAL STATEMENT OF OPERATIONS INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

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	Hospital Division	Other Health Care Services Division	Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:			
Patient service revenue net of contractual allowances and discounts	\$628,025	\$ -	\$628,025
Provision for doubtful accounts	<u>73,146</u>	<u>-</u>	<u>73,146</u>
Net patient services revenue	554,879	-	554,879
Other revenue	12,647	18,360	31,007
Net assets released from temporary restrictions by the Foundation	-	976	976
Net assets released from temporary restrictions for research, grants, and other	<u>-</u>	<u>5,575</u>	<u>5,575</u>
Total unrestricted revenues, gains, and other support	<u>567,526</u>	<u>24,911</u>	<u>592,437</u>
EXPENSES:			
Wages, salaries, and benefits	301,608	7,285	308,893
Supplies	121,228	4,360	125,588
Administrative and general	74,308	6,286	80,594
Malpractice and other insurance—net of recoveries	18,161	-	18,161
Depreciation	30,886	1,155	32,041
Interest	10,428	-	10,428
Indigent care assessment	<u>5,924</u>	<u>-</u>	<u>5,924</u>
Total expenses	<u>562,543</u>	<u>19,086</u>	<u>581,629</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 4,983</u>	<u>\$ 5,825</u>	<u>\$ 10,808</u>