

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

Consolidated Financial Statements as of and  
for the Years Ended December 31, 2018 and 2017,  
Supplemental Divisional Information as of and  
for the Year Ended December 31, 2018, and  
Independent Auditors' Report

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

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**Deloitte & Touche LLP**  
Certified Public Accountants  
333 Southeast 2nd Avenue  
Suite 3600  
Miami, FL 33131  
USA

Tel: +1 305 372 3100  
Fax: +1 305 372 3160  
[www.deloitte.com](http://www.deloitte.com)

## **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, 2018 and 2017, 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.

### **Auditor's 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**

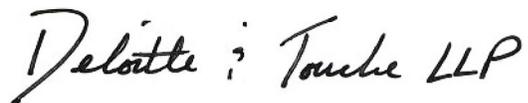
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mount Sinai Medical Center of Florida, Inc. and subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years 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 33-35 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.

## **Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, the Medical Center has changed its method of accounting for revenue and net assets in fiscal year 2018 due to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* and all subsequent amendments (collectively, "ASC 606") and the Accounting Standards Codification Topic 958, *Not-for-Profit Entities—Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The Medical Center adopted ASC 606 using the full retrospective approach and ASU 2016-14 on a retrospective basis.

The image shows a handwritten signature in black ink that reads "Deloitte : Touche LLP". The signature is written in a cursive, flowing style.

March 29, 2019

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

**CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2018 AND 2017  
(Amounts in thousands)**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,392	\$ 18,112
Investments	141,528	260,197
Patient accounts receivable-net	71,559	71,944
Other receivables	2,586	7,219
Due from third party payors	5,226	3,603
Inventories	10,802	9,588
Prepaid and other assets	<u>10,982</u>	<u>10,399</u>
Total current assets	288,075	381,062
ASSETS WHOSE USE IS LIMITED:		
Funds held by trustee	13,369	13,127
Self-insurance trust fund	2,478	2,476
Other investments	<u>8,348</u>	<u>9,787</u>
Total assets whose use is limited	24,195	25,390
BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.	257,075	222,279
PROPERTY AND EQUIPMENT—Net	452,246	333,091
RECEIVABLE FOR INSURED CLAIMS	6,421	12,050
OTHER ASSETS	<u>2,651</u>	<u>2,777</u>
TOTAL	<u>\$ 1,030,663</u>	<u>\$ 976,649</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 46,682	\$ 34,620
Accrued wages, salaries, and benefits	28,456	28,388
Indigent care assessment—current portion	5,214	5,158
Other current liabilities	39,240	36,219
Due to third-party payors	13,476	15,626
Current portion of capital leases	8,168	6,671
Current portion of long-term debt	<u>8,818</u>	<u>8,513</u>
Total current liabilities	150,054	135,195
CAPITAL LEASES—Net of current portion	34,496	35,309
LONG-TERM DEBT—Net of current portion	268,477	278,281
INDIGENT CARE ASSESSMENT—Net of current portion	3,528	3,303
OTHER LONG-TERM LIABILITIES	409	295
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>49,423</u>	<u>56,030</u>
Total liabilities	<u>506,387</u>	<u>508,413</u>
COMMITMENTS AND CONTINGENCIES (Notes 6, 7, and 18)		
NET ASSETS:		
Without donor restriction	267,201	245,957
With donor restriction	<u>257,075</u>	<u>222,279</u>
Total net assets	<u>524,276</u>	<u>468,236</u>
TOTAL	<u>\$ 1,030,663</u>	<u>\$ 976,649</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, 2018 AND 2017  
(Amounts in thousands)**

	<b>2018</b>	<b>2017</b>
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:		
Patient service revenue net of contractual allowances, discounts and deductions	\$578,900	\$554,920
Other revenue	36,961	31,007
Net assets released from restrictions by the Foundation	9,267	976
Net assets released from restrictions for research, grants, and other	<u>9,745</u>	<u>5,575</u>
 Total unrestricted revenues, gains, and other support	 <u>634,873</u>	 <u>592,478</u>
EXPENSES:		
Wages, salaries, and benefits	313,082	308,893
Supplies	131,932	125,588
Administrative and general	85,395	80,635
Malpractice and other insurance—net of recoveries	28,021	18,161
Depreciation	35,400	32,041
Interest	6,415	10,428
Indigent care assessment	<u>6,286</u>	<u>5,924</u>
 Total expenses	 <u>606,531</u>	 <u>581,670</u>
 EXCESS OF REVENUES OVER EXPENSES	 <u>28,342</u>	 <u>10,808</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, 2018 AND 2017  
(Amounts in thousands)**

	<b>2018</b>	<b>2017</b>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenues over expenses	\$ 28,342	\$ 10,808
Net assets transferred to the Mount Sinai Medical Center Foundation, Inc.	(35,093)	-
Net assets released from restrictions used for capital purposes	<u>27,995</u>	<u>5,344</u>
Increase in net assets without donor restrictions	<u>21,244</u>	<u>16,152</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Restricted grants and contributions	47,007	11,895
Net assets released from restrictions	(47,007)	(11,895)
Change in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	<u>34,796</u>	<u>49,962</u>
Increase in net assets with donor restrictions	<u>34,796</u>	<u>49,962</u>
CHANGE IN NET ASSETS	56,040	66,114
NET ASSETS—Beginning of year	<u>468,236</u>	<u>402,122</u>
NET ASSETS—End of year	<u>\$524,276</u>	<u>\$468,236</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, 2018 AND 2017 (Amounts in thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 56,040	\$ 66,114
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,400	32,041
Bond premium and issuance costs amortization—net	(984)	(1,066)
Provision for uncollectible accounts	272	41
Noncash purchase discount	(2,777)	(1,919)
Loss (gain) on disposal of property, plant, and equipment	(20)	278
Restricted grants and contributions for capital purposes	(27,995)	(5,344)
Changes in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	(34,796)	(49,962)
Realized loss on sale of securities and change in net unrealized losses on investments—net	350	1,065
Changes in operating assets and liabilities:		
Decrease (increase) in patient accounts receivable	113	(2,623)
Decrease (increase) in other receivables	1,633	(3,385)
Increase in due from third-party payors	(1,624)	(3,603)
(Decrease) increase in due to third-party payors	(2,149)	654
(Increase) decrease in inventories	(1,213)	14
(Increase) decrease in prepaid and other current assets	(583)	1,690
Decrease in other noncurrent assets	2,903	1,426
Decrease in receivable for insured claims	5,629	4,988
Increase in accounts payable and accrued expenses	4,541	2,621
Increase in accrued wages, salaries, and benefits	69	1,764
Increase in indigent care assessment	281	325
Increase (decrease) in other current liabilities	3,310	(538)
Increase (decrease) in other long-term liabilities	114	(31)
Decrease in liability for self-insured claims	(6,775)	(2,388)
Net cash provided by operating activities	<u>31,739</u>	<u>42,162</u>

(Continued)

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(Amounts in thousands)**

	<b>2018</b>	<b>2017</b>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$(139,124)	\$ (67,511)
Proceeds from the sale of property and equipment	81	396
Proceeds from restricted grants and contributions for capital purposes	30,874	6,146
Purchases of investments	(64,240)	(99,171)
Proceeds from sales and maturities of investments	182,559	61,520
Assets whose use is limited:		
Purchases of investments	(44,363)	(118,137)
Proceeds from sales and maturities of investments	<u>45,558</u>	<u>176,644</u>
Net cash provided by (used in) investing activities	<u>11,345</u>	<u>(40,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(8,553)	(8,682)
Repayment of capital lease	<u>(7,250)</u>	<u>(7,460)</u>
Net cash used in financing activities	<u>(15,803)</u>	<u>(16,142)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,280	(14,093)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>18,112</u>	<u>32,205</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 45,392</u>	<u>\$ 18,112</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash paid for interest net of amounts capitalized of \$6,850 and \$3,552 in 2018 and 2017, respectively		
	<u>\$ 7,851</u>	<u>\$ 11,313</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of equipment through long-term debt and capital lease	<u>\$ 7,972</u>	<u>\$ 38,715</u>
Acquisition of equipment through accounts payable and accrued expenses	<u>\$ 19,755</u>	<u>\$ 12,234</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, 2018 AND 2017

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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 three 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; 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 29, 2019, 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 at 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 7 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 \$2.7 million and \$2.9 million as of December 31, 2018 and 2017, 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, Discounts and Deductions**

—Patient service revenue net of contractual allowances, discounts and deductions 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. Generally, the Medical Center bills its patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. 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.

Performance obligations are determined based on the nature of the services provided by the Medical Center. Revenues are recorded during the period our performance obligations to provide health care services are satisfied. Our performance obligations for inpatient services are generally satisfied over periods that average approximately five days, and revenues are recognized based on charges incurred to date in relation to the total expected (or actual) charges. Our performance obligations for outpatient services are generally satisfied over a period of less than one day. The Medical Center believes this method provides a faithful depiction of the transfer of goods and services to the patient from whom it is entitled payment.

The Medical Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Medical Center's policy, and implicit price concessions provided to uninsured patients and patients with other insured balances. The Medical Center determines its estimates of contractual adjustments, discounts and implicit price concessions based on contractual agreements, its discount policies, and historical collection experience.

Patient service revenue net of contractual allowances, discounts and deductions 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, discounts and deductions. Charity care is described in Note 4 to the consolidated financial statements.

**Donor-Restricted Grants and Contributions**—Contributions, including unconditional promises to give cash and other assets, are 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 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 net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from 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 2018 and 2017, the Foundation contributed approximately \$36.1 million and \$976,000, respectively, to the Medical Center for reimbursement of expenditures incurred specifically related to restricted purposes. Of such amounts, approximately \$8.2 million and \$976,000, 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 net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include net assets released from restrictions used for capital purposes, and net assets released from restrictions by the Foundation.

**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 9 and 10, 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, 2018 and 2017, 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 2018 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

**Pending New Accounting Pronouncements**—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. Early adoption is permitted. 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): Section A-Leases: Amendments to the FASB Accounting Standards Codification; Section B-Confirming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification; and Section C-Background Information and Basis for Conclusions* ("ASU 2016-02") which supersedes existing guidance on accounting for leases and generally requires all leases to be recognized in the balance sheet. The provisions of ASU 2016-02 are effective for reporting periods beginning after December 15, 2018; early adoption is permitted. The provisions of this update are to be applied using a modified retrospective approach. ASU 2016-02 provides additional transition methods to adopt the new leases standard. The Medical Center has established an implementation group to transition to the new standard. 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, 2019. The Medical Center has not finalized its assessment of 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 June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 assists in evaluating whether transactions should be accounted for as contributions or exchange transactions. The guidance also assists in determining whether a contribution is conditional which would impact the timing of revenue recognition. ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. 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 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which is intended to improve the effectiveness of disclosures by facilitating clear communication of the information required by GAAP. ASU 2018-13 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal year 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.

In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors* ("ASU 2018-20"), ASU 2018-20 permits lessors, as an accounting policy election, to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. The provisions of this update may be applied either retrospectively or prospectively. The provisions of ASU 2018-20 are effective for reporting periods beginning after December 15, 2018. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

**Adopted 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 applied the full retrospective method to adopt ASU 2014-09 on January 1, 2018. The adoption of the new standard did not have an impact to our recognition of total unrestricted revenues, gains, and other support for any periods prior to adoption. The Medical Center also used 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. The adoption of ASU 2014-09 resulted in changes to the presentation 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 from 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, resulted in a material reduction in the amounts presented separately as provision for doubtful accounts. As part of the adoption of ASC 606, the Medical Center elected two of the available practical expedients provided for in the standard. The Medical Center does not adjust the transaction price for any financing components as those were deemed to be insignificant. Additionally, the Medical Center expenses all incremental customer contract acquisition costs as incurred as such costs are not material and would be amortized over a period of less than one year.

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 adoption of ASU 2016-14 did not have a material impact on the Medical Center’s consolidated financial condition, results of operations or cash flows. ASU 2016-14 required enhanced and additional disclosures with are included in Note 7 and Note 15 of the consolidated financial statements.

## **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, 2018, and 2017, 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 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 net assets with donor restrictions.

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, 2018 and 2017, is as follows (amounts in thousands):

	<b>2018</b>	<b>2017</b>
Assets:		
Cash and cash equivalents	\$ 11,147	\$ 5,944
Pledges receivable—net	83,476	62,806
Receivables under contribution agreements—net	43,452	46,925
Beneficial interest—Wolfson trust	4,884	5,321
Investments	114,449	100,602
Prepaid expenses and other assets	560	1,200
Due from the Medical Center	<u>-</u>	<u>127</u>
Total assets	<u>\$257,968</u>	<u>\$222,925</u>
Total liabilities	<u>\$ 893</u>	<u>\$ 646</u>
Net assets:		
Without donor restriction	98,532	66,459
With donor restriction	<u>158,543</u>	<u>155,820</u>
Total net assets	<u>257,075</u>	<u>222,279</u>
Total liabilities and net assets	<u>\$257,968</u>	<u>\$222,925</u>
Total revenues—amounts raised	\$ 38,915	\$ 49,725
Interest, dividends, and other—net <sup>(A)</sup>	3,066	5,479
Operating expenses	(6,137)	(4,266)
Transfers to the Medical Center	(36,141)	(976)
Equity transaction with the Medical Center	<u>35,093</u>	<u>-</u>
Increase in net assets	34,796	49,962
Net assets—January 1	<u>222,279</u>	<u>172,317</u>
Net assets—December 31	<u>\$257,075</u>	<u>\$222,279</u>

<sup>(A)</sup> Interest, dividends, and other—net, includes net realized and unrealized (losses) gains of \$(1.4) million and \$2.8 million for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Foundation's investments consisted of approximately \$1.1 million, \$106.2 million, and \$12.0 million, of Level 1, Level 2, and Level 3

investments, 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.

The Foundation’s Level 3 investments consist of approximately \$12 million of financial instruments as of December 31, 2018. These financial instruments are comprised of an investment in donated life insurance policies and the beneficial interest in a perpetual 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 48 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, 2018 and 2017, is composed of the following (in thousands):

	<b>Endowment Net Asset Composition by Fund Type</b>	
	<b>2018</b>	<b>2017</b>
Alzheimer’s program	\$ 5,502	\$ 6,200
MSMC 50 Years (Surgical Tower and Emergency Dept.)	68,021	39,542
Melanoma research	1,601	2,109
Surgical oncology	2,376	2,335
Cancer research	1,187	1,581
Other programs	<u>15,708</u>	<u>17,977</u>
Total funds	<u>\$94,395</u>	<u>\$69,744</u>

### **3. PATIENT SERVICE REVENUE NET OF CONTRACTUAL ALLOWANCE, DISCOUNTS, AND DEDUCTIONS**

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**—Medicare’s reimbursement methodology is based on Medicare Severity Diagnostic Related Groups (“MS-DRGs”). 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 2018 and 2017, the Medical Center recorded an increase to Medicare net patient service revenue of approximately \$2.2 million and \$2.7 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 2018 there were no cost report settlements. During 2017, there were cost report settlements for years 2007–2009.

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 2018 and 2017, approximately 27% and 28% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, was for services to Medicare beneficiaries.

**Medicaid**—Less than 2.4% and 3.8% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, for 2018 and 2017, was derived from the Medicaid program. Medicaid's reimbursement methodology for inpatient services is based on 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.

Laws and regulations concerning the Medicare and Medicaid programs are complex and subject to varying interpretation. 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 2018 and 2017, approximately 68% and 67% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, 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). Consistent with its mission, the Medical Center provides care to its patients regardless of their ability to pay. 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 reduction to patient service revenue for price concessions to uninsured patients and patients with other insured balances, such as copays and deductibles, in the period the services are provided.

The Medical Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. The implicit price concessions included in estimating the transaction price represent the difference between the amounts billed to the patient and the amounts the Medical Center expects to collect. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

The composition of the Medical Center's patient service revenue by payor, net of contractual allowances, discounts and deductions, recognized for the years ended December 31, 2018 and 2017, consisted of the following (amounts in thousands):

	<b>2018</b>	<b>2017</b>
Medicare	\$154,501	\$157,623
Managed care	392,640	371,615
Medicaid	13,650	20,945
Self-pay and other	<u>18,109</u>	<u>4,737</u>
Patient service revenue net of contractual allowances, discounts and deductions	<u>\$578,900</u>	<u>\$554,920</u>

The composition of the Medical Center's patient service revenue by primary service for the years ended December 31, 2018 and 2017, is summarized as follows:

	<b>2018</b>	<b>2017</b>
Service lines:		
Hospital services	\$524,863	\$505,494
Physician services	<u>54,037</u>	<u>49,426</u>
Revenues	<u>\$578,900</u>	<u>\$554,920</u>

At December 31, 2018 and 2017, estimated implicit price concessions of \$45.3 million and \$38.6 million, respectively, had been recorded as reductions to accounts receivable balance to enable the Medical Center to record our revenues and accounts receivable at estimated amounts we expect to collect.

Under the provisions of ASU 2014-09, which the Medical Center adopted effective January 1, 2018 on a full retrospective basis, amounts related to services provided to patients which do not meet the conditions of unconditional rights to payment at the end of the reporting period are contract assets. As of December 31, 2018, and 2017, the Medical Center did not have any contract assets.

#### 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 \$66.3 million and \$66.0 million in 2018 and 2017, respectively. Such services represented approximately 2.4% and 2.5% of the gross charges of the Medical Center in 2018 and 2017, respectively. The Medical Center's estimated total cost of caring for patients that qualify fully or partially for charity care in 2018 was approximately \$18.5 million, of which \$4.6 million was related to services covered by third party payors. The Medical Center received approximately \$2.4 million as reimbursement for these services. The 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 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 \$16.1 million and \$16.8 million for 2018 and 2017, respectively, and are reflected in patient service revenue net of contractual allowances, discounts and deductions. The total cost to provide other uncompensated care, excluding those patients that qualified for charity care, was approximately \$13.6 million and \$13.3 million for 2018 and 2017, 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. LIQUIDITY AND AVAILABILITY

The following represents the Medical Center's financial assets available to meet general expenditures over the next twelve months at December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 45,392	\$ 18,112
Investments	141,528	260,197
Accounts receivable—net	<u>79,371</u>	<u>82,766</u>
Total	<u>\$266,291</u>	<u>\$361,075</u>

As part of its liquidity management plan, the Medical Center invests cash in excess of daily requirements in short-term investments, including certificates of deposits, money market funds and U.S. treasury and agency obligations.

## 6. INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited at December 31, 2018, 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	\$ -	\$24,164	\$ 24,164
Certificates of deposit	82,891	-	82,891
U.S. Treasury obligations	18,226	-	18,226
U.S. Agency obligations	2,665	-	2,665
Corporate bonds	12,204	-	12,204
Agency-backed securities	3,055	-	3,055
Agency mortgaged-backed securities	11,723	-	11,723
Hedge funds	1,067	-	1,067
Mutual funds	9,302	-	9,302
Interest receivable	<u>395</u>	<u>31</u>	<u>426</u>
Total	<u>\$141,528</u>	<u>\$24,195</u>	<u>\$165,723</u>

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>

Funds held by trustee of approximately \$13.4 million and \$13.1 million as of December 31, 2018 and 2017, 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 8 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, 2018 and 2017, are composed of the following (amounts in thousands):

	<b>2018</b>	<b>2017</b>
Investment income:		
Interest and dividend income	\$4,250	\$3,942
Net realized losses on sales of securities	(116)	(663)
Net unrealized losses on investments	<u>(234)</u>	<u>(402)</u>
Total	<u>\$3,900</u>	<u>\$2,877</u>

## 7. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 and 2017, are summarized as follows (amounts in thousands):

	<b>2018</b>	<b>2017</b>
Land and land improvements	\$ 11,961	\$ 11,961
Buildings and improvements	379,122	306,955
Equipment and software	133,667	128,628
Capital lease equipment	<u>58,377</u>	<u>51,575</u>
Total	583,127	499,119
Less accumulated depreciation	<u>(336,789)</u>	<u>(312,357)</u>
Total	246,338	186,762
Construction in progress	<u>205,908</u>	<u>146,329</u>
Property and equipment—net	<u>\$ 452,246</u>	<u>\$ 333,091</u>

Depreciation expense for the years ended December 31, 2018 and 2017, amounted to approximately \$35.4 million and \$32.0 million, respectively. The estimated cost to complete construction in progress for 2018 and 2017 is approximately \$143 million and \$252 million, respectively. Accumulated depreciation for equipment under capital lease obligation was approximately \$23.3 million and \$14.2 million as of December 31, 2018 and 2017, respectively. Interest capitalized during fiscal years 2018 and 2017 was approximately \$6.8 million and \$3.5 million, respectively.

During 2018 and 2017, the Medical Center incurred approximately \$1.1 million and \$5.3 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 net assets without donor restrictions in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2018 and 2017.

## 8. LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt, notes payable, and capital lease obligations as of December 31, 2018 and 2017, consisted of the following (amounts in thousands):

	<b>2018</b>	<b>2017</b>
Hospital Revenue Refunding Bonds, Series 2014—inclusive of net unamortized premium of \$8,308 and \$8,777 and net unamortized issuance costs of \$1,957 and \$2,044 at December 31, 2018 and 2017, respectively	\$172,631	\$174,173
Hospital Revenue Refunding Bonds, Series 2012—inclusive of net unamortized premium of \$3,402 and \$4,135 and net unamortized issuance costs of \$719 and \$848 at December 31, 2018 and 2017, respectively	97,367	104,443
Capital leases with interest rates between 2.07% and 5.01%, with maturities through September 2025, collateralized by equipment	42,664	41,980
Promissory notes with interest rate of 4.46% and 3.74% at December 31, 2018 and 2017, respectively, and maturities in July 2022	<u>7,296</u>	<u>8,178</u>
Total long-term debt	319,958	328,774
Less current portion	<u>16,985</u>	<u>15,184</u>
Long-term debt-net of current portion	<u>\$302,973</u>	<u>\$313,590</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, 2018, 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>
2019	\$ 7,935	\$ 883	\$ 9,553	\$ 18,371
2020	8,336	882	9,591	18,809
2021	8,750	883	7,857	17,490
2022	9,185	4,647	6,898	20,730
2023	9,645	-	6,388	16,033
Thereafter	<u>217,115</u>	<u>-</u>	<u>7,021</u>	<u>224,136</u>
Total	260,966	7,295	47,308	315,569
Interest on capital leases	-	-	(4,644)	(4,644)
Unamortized issuance cost	(2,676)	-	-	(2,676)
Unamortized bond premium	<u>11,710</u>	<u>-</u>	<u>-</u>	<u>11,710</u>
Total	<u>\$270,000</u>	<u>\$7,295</u>	<u>\$42,664</u>	<u>\$319,959</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.

## **9. 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 \$339,000 as collateral for its workers' compensation claims. The Medical Center has accrued a discounted liability of approximately \$5.1 million and \$5.5 million as of December 31, 2018 and 2017, 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, 2018 and 2017, \$1.9 million and \$2.0 million is classified as other current liabilities and \$3.2 million and \$3.4 million is classified as liability for self-insured claims in the Medical Center's consolidated balance sheets, respectively. The undiscounted liability was \$5.4 million and \$5.8 million at December 31, 2018 and 2017, 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 2018 and 2017. Workers' compensation losses and loss adjustment expenses in the consolidated statements of operations and changes in net assets for 2018 and 2017 were approximately \$1.4 million and \$1.5 million, respectively, and are included in malpractice and other insurance—net of recoveries. Recoveries in 2018 and 2017 were not material to the consolidated financial statements.

## **10. 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. As of December 31, 2018, the Medical Center is also responsible for any claim in excess of \$60 million, with no aggregate limit per year. As of December 31, 2017, the Medical Center was responsible for any claim in excess of \$85 million.

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 2018 and 2017. At December 31, 2018 and 2017 the Medical Center recorded discounted

professional liability reserves of approximately \$66.0 million and \$72.4 million and a corresponding receivable related to expected reinsurance recoveries in the amount of approximately \$9.2 million and \$16.6 million, respectively. Approximately \$19.8 million and \$19.8 million is included in other current liabilities and \$46.2 million and \$52.6 million in liability for self-insured claims—net of current portion in the accompanying consolidated balance sheets as of December 31, 2018 and 2017, respectively. Approximately \$2.8 million and \$4.5 million of the corresponding receivable is classified as prepaid and other assets and \$6.4 million and \$12.0 million is classified as receivable for insured claims in the accompanying consolidated balance sheets at December 31, 2018 and 2017, respectively.

During 2018 and 2017, respectively, the Medical Center recorded a \$2.5 million and \$9.8 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 \$19.1 million and \$8.8 million in 2018 and 2017, respectively.

## 11. 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 net receivables from patients and third-party payors as of December 31, 2018 and 2017, was as follows:

	<b>2018</b>	<b>2017</b>
Medicare	9 %	14 %
Medicaid	2	-
Managed care	85	82
Other third-party payors	2	2
Self-pay	<u>3</u>	<u>2</u>
Total	<u>100 %</u>	<u>100 %</u>

## 12. 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, 2018 and 2017, amounted to approximately \$4.2 million and \$4.3 million, respectively.

### 13. 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, 2018 and 2017, the Medical Center had accrued indigent care assessment liabilities of approximately \$8.7 million and \$8.5 million, respectively. This liability relates to the estimated current reporting period plus any unpaid amounts from the preceding fiscal year(s).

### 14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Net assets with donor restrictions 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.

Net assets with donor restrictions as of December 31, 2018 and 2017, are available for the following purposes (amounts in thousands):

	<b>2018</b>	<b>2017</b>
Beneficial interest in Foundation net assets without donor restriction	\$ 98,532	\$ 66,459
Beneficial interest in Foundation net assets with donor restriction	<u>158,543</u>	<u>155,820</u>
	<u>\$257,075</u>	<u>\$222,279</u>

### 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, 2018, are as follows (amounts in thousands):

	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Research</b>	<b>Total</b>
Wages, salaries and benefits	\$212,591	\$ 95,834	\$ 4,657	\$313,082
Supplies	127,068	4,054	810	131,932
General and administrative	26,895	50,477	8,023	85,395
Malpractice and other insurance—net of recoveries	21,165	6,817	39	28,021
Depreciation and amortization	24,714	10,631	55	35,400
Interest expense	4,558	1,846	11	6,415
Indigent care assessment	<u>4,467</u>	<u>1,809</u>	<u>10</u>	<u>6,286</u>
Total expenses	<u>\$421,458</u>	<u>\$171,468</u>	<u>\$13,605</u>	<u>\$606,531</u>

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

	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Research</b>	<b>Total</b>
Wages, salaries and benefits	\$204,567	\$ 99,592	\$4,734	\$308,893
Supplies	120,909	4,030	649	125,588
General and administrative	26,842	49,437	4,356	80,635
Malpractice and other insurance—net of recoveries	13,983	4,153	25	18,161
Depreciation and amortization	21,859	10,128	54	32,041
Interest expense	7,285	3,124	19	10,428
Indigent care assessment	<u>4,138</u>	<u>1,775</u>	<u>11</u>	<u>5,924</u>
Total expenses	<u>\$399,583</u>	<u>\$172,239</u>	<u>\$9,848</u>	<u>\$581,670</u>

The consolidated financial statements report certain expense categories that are attributable to more than one support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including malpractice and other insurance, depreciation and amortization, interest expense, and indigent care assessment are allocated based on percentage of direct expenses incurred.

## **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 \$772,000 and \$826,000, as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017.

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. During 2018, the partnership made capital distributions to the members totaling \$500,000 each. As of December 31, 2018 and 2017, the Medical Center's investment in the joint venture is recorded in other assets in the consolidated financial statements at \$861,000 and \$976,000, 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. There were no changes to level classifications for securities held at December 31, 2018 and 2017.

The disclosure of fair value measurements as of December 31, 2018, 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	\$ 24,164	\$ -	\$ -	\$ 24,164
Certificate of deposits	-	82,891	-	82,891
U.S. Treasury obligations	-	18,226	-	18,226
U.S. Agency obligations	-	2,665	-	2,665
Corporate bonds	-	12,204	-	12,204
Agency-backed securities	-	3,055	-	3,055
Agency mortgaged-backed securities	-	11,723	-	11,723
Mutual funds	9,302	-	-	9,302
Interest receivable	<u>395</u>	<u>31</u>	<u>-</u>	<u>426</u>
Total investments in fair value hierarchy	33,861	130,795	-	164,656
Investments measured at net asset value—hedge funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067</u>
Total	<u>\$ 33,861</u>	<u>\$ 130,795</u>	<u>\$ -</u>	<u>\$ 165,723</u>

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	<u>340</u>	<u>16</u>	<u>-</u>	<u>356</u>
Total investments in fair value hierarchy	38,849	245,395	-	284,244
Investments measured at net asset value—hedge funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,343</u>
Total	<u>\$ 38,849</u>	<u>\$ 245,395</u>	<u>\$ -</u>	<u>\$ 285,587</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, 2018, 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, 2018 and 2017, were as follows (amounts in thousands):

	2018		2017	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Long-term debt and capital leases (including current portion)	<u>\$329,378</u>	<u>\$319,958</u>	<u>\$ 341,927</u>	<u>\$328,774</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, 2018 and 2017, amounted to \$9.1 million and \$8.2 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**

2019	\$ 2,947
2020	2,893
2021	2,555
2022	1,813
2023	1,537
Thereafter	<u>4,719</u>
Total	<u>\$16,464</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, 2018, 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, 2018**

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	<b>Hospital (Core)</b>	<b>Other Health Care Services Division</b>	<b>Total</b>
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 45,392	\$ -	\$ 45,392
Temporary investments	141,528	-	141,528
Patient accounts receivable—net	71,559	-	71,559
Other receivables	1,106	1,480	2,586
Due from third party payors	5,226	-	5,226
Inventories	10,802	-	10,802
Prepaid and other assets	<u>10,982</u>	<u>-</u>	<u>10,982</u>
Total current assets	<u>286,595</u>	<u>1,480</u>	<u>288,075</u>
ASSETS WHOSE USE IS LIMITED:			
Funds held by trustee	13,369	-	13,369
Self-insurance trust fund	2,478	-	2,478
Other investments	<u>8,348</u>	<u>-</u>	<u>8,348</u>
Total assets whose use is limited	<u>24,195</u>	<u>-</u>	<u>24,195</u>
BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.	257,075	-	257,075
PROPERTY, PLANT AND EQUIPMENT—Net	439,731	12,515	452,246
RECEIVABLE FOR INSURED CLAIMS	6,421	-	6,421
OTHER ASSETS	<u>2,651</u>	<u>-</u>	<u>2,651</u>
TOTAL ASSETS	<u>\$1,016,668</u>	<u>\$13,995</u>	<u>\$1,030,663</u>

(Continued)

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

**SUPPLEMENTAL DIVISIONAL BALANCE SHEET INFORMATION  
AS OF DECEMBER 31, 2018**

	<b>Hospital (Core)</b>	<b>Other Health Care Services Division</b>	<b>Total</b>
<b>LIABILITIES AND NET ASSETS</b>			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 45,886	\$ 796	\$ 46,682
Accrued wages, salaries and benefits	28,456	-	28,456
Indigent care assessment—current portion	5,214	-	5,214
Other current liabilities	34,191	5,049	39,240
Due to third-party payors	13,476	-	13,476
Current portion of long-term debt capital leases	8,168	-	8,168
Current portion of long-term debt	<u>8,818</u>	<u>-</u>	<u>8,818</u>
 Total current liabilities	 144,209	 5,845	 150,054
LONG TERM DEBT CAPITAL LEASES—Net current portion	34,496	-	34,496
LONG TERM DEBT—Net of current portion	268,477	-	268,477
INDIGENT CARE ASSESSMENT—Net of current portion	3,528	-	3,528
OTHER LONG-TERM LIABILITIES	409	-	409
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>49,423</u>	<u>-</u>	<u>49,423</u>
 Total liabilities	 <u>500,542</u>	 <u>5,845</u>	 <u>506,387</u>
NET ASSETS:			
Without donor restriction	259,051	8,150	267,201
With donor restriction	<u>257,075</u>	<u>-</u>	<u>257,075</u>
 Total net assets	 <u>516,126</u>	 <u>8,150</u>	 <u>524,276</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$1,016,668</u>	 <u>\$13,995</u>	 <u>\$1,030,663</u>

(Concluded)

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

**SUPPLEMENTAL DIVISIONAL STATEMENT OF OPERATIONS INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<b>Hospital Division</b>	<b>Other Health Care Services Division</b>	<b>Total</b>
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:			
Patient service revenue net of contractual allowances, discounts and deductions	\$578,900	\$ -	\$578,900
Other revenue	17,168	19,793	36,961
Net assets released from restrictions by the Foundation	-	9,267	9,267
Net assets released from restrictions for research, grants, and other	<u>-</u>	<u>9,745</u>	<u>9,745</u>
Total unrestricted revenues, gains, and other support	<u>596,068</u>	<u>38,805</u>	<u>634,873</u>
EXPENSES:			
Wages, salaries, and benefits	306,011	7,071	313,082
Supplies	127,630	4,302	131,932
Administrative and general	75,132	9,991	85,123
Malpractice and other insurance—net of recoveries	28,021	-	28,021
Provision for doubtful accounts	272	-	272
Depreciation	34,371	1,029	35,400
Interest	6,415	-	6,415
Indigent care assessment	<u>6,286</u>	<u>-</u>	<u>6,286</u>
Total expenses	<u>584,138</u>	<u>22,393</u>	<u>606,531</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 11,930</u>	<u>\$16,412</u>	<u>\$ 28,342</u>