

Mount Sinai Medical Center of Florida, Inc. and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended December 31, 2019 and 2018,
Supplemental Divisional Information as of and
for the Year Ended December 31, 2019, 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, 2019 and 2018, 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

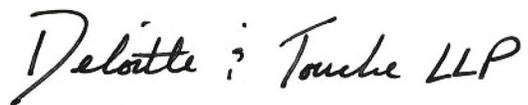
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mount Sinai Medical Center of Florida, Inc. and subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Medical Center has changed its method of accounting for leases in fiscal year 2019 due to the adoption of Accounting Standards Codification Topic 842, *Leases* and all subsequent related amendments (collectively, "ASC 842"). The Medical Center adopted ASC 842 using the modified retrospective approach.

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 38-40 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.

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

March 31, 2020

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

**CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(Amounts in thousands)**

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 40,912	\$ 45,392
Investments	106,754	141,528
Patient accounts receivable—net	76,998	71,559
Other receivables	3,363	2,586
Due from third-party payors	3,326	5,226
Inventories	10,258	10,802
Prepaid and other assets	<u>17,712</u>	<u>10,982</u>
Total current assets	<u>259,323</u>	<u>288,075</u>
ASSETS WHOSE USE IS LIMITED:		
Funds held by trustee	13,025	13,369
Self-insurance trust fund	2,656	2,478
Other investments	<u>8,456</u>	<u>8,348</u>
Total assets whose use is limited	24,137	24,195
BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.	290,030	257,075
PROPERTY AND EQUIPMENT—Net	427,451	452,246
RECEIVABLE FOR INSURED CLAIMS	6,033	6,421
RIGHT OF USE FINANCING LEASE ASSETS	32,335	-
RIGHT OF USE OPERATING LEASE ASSETS	10,501	-
OTHER ASSETS	<u>2,569</u>	<u>2,651</u>
TOTAL	<u>\$1,052,379</u>	<u>\$1,030,663</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 33,496	\$ 46,682
Accrued wages, salaries, and benefits	30,715	28,456
Indigent care assessment—current portion	5,549	5,214
Other current liabilities	33,962	39,240
Due to third-party payors	15,124	13,476
Current portion of financing lease obligations	9,755	-
Current portion of operating lease obligations	2,337	-
Current portion of capital lease obligations	-	8,168
Current portion of long-term debt	<u>9,218</u>	<u>8,818</u>
Total current liabilities	140,156	150,054
FINANCING LEASE OBLIGATIONS—Net of current portion	32,217	-
OPERATING LEASE OBLIGATIONS—Net of current portion	9,047	-
CAPITAL LEASE OBLIGATIONS—Net of current portion	-	34,496
LONG-TERM DEBT—Net of current portion	258,339	268,477
INDIGENT CARE ASSESSMENT—Net of current portion	3,651	3,528
OTHER LONG-TERM LIABILITIES	484	409
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>49,048</u>	<u>49,423</u>
Total liabilities	<u>492,942</u>	<u>506,387</u>
COMMITMENTS AND CONTINGENCIES (Note 19)		
NET ASSETS:		
Without donor restriction	269,407	267,201
With donor restriction	<u>290,030</u>	<u>257,075</u>
Total net assets	<u>559,437</u>	<u>524,276</u>
TOTAL	<u>\$1,052,379</u>	<u>\$1,030,663</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, 2019 AND 2018
(Amounts in thousands)**

	2019	2018
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:		
Patient service revenue net of contractual allowances, discounts and deductions	\$614,205	\$578,900
Other revenue	40,959	36,961
Net assets released from restrictions by the Foundation	3,401	9,267
Net assets released from restrictions for research, grants, and other	<u>10,669</u>	<u>9,745</u>
Total unrestricted revenues, gains, and other support	<u>669,234</u>	<u>634,873</u>
EXPENSES:		
Wages, salaries, and benefits	340,192	313,082
Supplies	144,253	131,932
Administrative and general	94,607	85,395
Malpractice and other insurance—net of recoveries	22,852	28,021
Depreciation	44,525	35,400
Interest	12,483	6,415
Indigent care assessment	<u>6,557</u>	<u>6,286</u>
Total expenses	<u>665,469</u>	<u>606,531</u>
EXCESS OF REVENUES OVER EXPENSES	<u>3,765</u>	<u>28,342</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, 2019 AND 2018
(Amounts in thousands)**

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenues over expenses	\$ 3,765	\$ 28,342
Cumulative adjustment on adoption of lease standard	(892)	-
Net assets transferred to the Mount Sinai Medical Center Foundation, Inc.	(5,472)	(35,093)
Net assets released from restrictions used for capital purposes	<u>4,805</u>	<u>27,995</u>
Increase in net assets without donor restrictions	<u>2,206</u>	<u>21,244</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Restricted grants and contributions	18,875	47,007
Net assets released from restrictions	(18,875)	(47,007)
Change in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	<u>32,955</u>	<u>34,796</u>
Increase in net assets with donor restrictions	<u>32,955</u>	<u>34,796</u>
CHANGE IN NET ASSETS	35,161	56,040
NET ASSETS—Beginning of year	<u>524,276</u>	<u>468,236</u>
NET ASSETS—End of year	<u>\$559,437</u>	<u>\$ 524,276</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, 2019 AND 2018 (Amounts in thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 35,161	\$ 56,040
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,525	35,400
Bond premium and issuance costs amortization—net	(922)	(984)
Provision for uncollectible accounts	391	272
Noncash purchase discount	(1,930)	(2,777)
Cumulative effect adjustment	892	-
Noncash lease expense	2,240	-
Loss (gain) on disposal of property, plant, and equipment	1,133	(20)
Restricted grants and contributions for capital purposes	(4,805)	(27,995)
Changes in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	(32,955)	(34,796)
Realized (gain) loss on sale of securities and change in net unrealized gains and losses on investments—net	(1,232)	350
Operating cash flows from operating leases	(2,248)	-
Changes in operating assets and liabilities:		
(Increase) decrease in patient accounts receivable	(5,830)	113
(Increase) decrease in other receivables	(777)	1,633
Decrease (increase) in due from third-party payors	1,900	(1,624)
Increase (decrease) in due to third-party payors	1,648	(2,149)
Decrease (increase) in inventories	544	(1,213)
(Increase) in prepaid and other current assets	(6,730)	(583)
Decrease in other noncurrent assets	2,012	2,903
Decrease in receivable for insured claims	388	5,629
(Decrease) increase in accounts payable and accrued expenses	(287)	4,541
Increase in accrued wages, salaries, and benefits	2,259	69
Increase in indigent care assessment	458	281
(Decrease) increase in other current liabilities	(4,073)	3,310
Increase in other long-term liabilities	75	114
Decrease in liability for self-insured claims	(796)	(6,775)
	<u>31,041</u>	<u>31,739</u>
Net cash provided by operating activities		

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (Amounts in thousands)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (57,559)	\$ (139,124)
Proceeds from the sale of property and equipment	259	81
Proceeds from restricted grants and contributions for capital purposes	4,021	30,874
Purchases of investments	(85,778)	(64,240)
Proceeds from sales and maturities of investments	121,781	182,559
Assets whose use is limited—purchases of investments	(38,817)	(44,363)
Proceeds from sales and maturities of investments	<u>38,875</u>	<u>45,558</u>
Net cash (used in) provided by investing activities	<u>(17,218)</u>	<u>11,345</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(8,818)	(8,553)
Repayment of finance and capital lease	<u>(9,485)</u>	<u>(7,250)</u>
Net cash used in financing activities	<u>(18,303)</u>	<u>(15,803)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,480)	27,280
CASH AND CASH EQUIVALENTS—Beginning of year	<u>45,392</u>	<u>18,112</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 40,912</u>	<u>\$ 45,392</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest net of amounts capitalized of \$1,713 and \$6,850 in 2019 and 2018, respectively	<u>\$ 13,047</u>	<u>\$ 7,851</u>
Cash paid for interest finance leases	<u>\$ 1,823</u>	<u>\$ -</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of equipment through finance leases and capital leases	<u>\$ 8,797</u>	<u>\$ 7,972</u>
Acquisition of equipment through accounts payable and accrued expenses	<u>\$ 6,856</u>	<u>\$ 19,755</u>
Right of use assets obtained in exchange for new operating lease liabilities	<u>\$ 478</u>	<u>\$ -</u>
Beginning balance—operating lease right of use asset	<u>\$ 12,263</u>	<u>\$ -</u>
Beginning balance—operating lease right of use liability	<u>\$ 13,155</u>	<u>\$ -</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, 2019 AND 2018

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—Effective January 1, 2020, the Medical Center assumed control of the Foundation.

In preparing these consolidated financial statements and in accordance with Accounting Standards Codification (“ASC”) 855, Subsequent Events, the Medical Center has evaluated the impact of all subsequent events through March 31, 2020, which is the date that these financial statements were issued and has determined that there were no subsequent events requiring adjustment to or disclosure in the financial statements except for disclosure of the recent outbreak of the novel coronavirus. As of March 31, 2020, the outbreak is a rapidly developing situation; and therefore, the Medical Center cannot predict the impact it will have on its consolidated financial position, results of operations, or cash flows.

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 \$2.5 million and \$2.7 million as of December 31, 2019 and 2018, 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 the performance obligations to provide health care services are satisfied by the Medical Center. The Medical Center's 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. The Medical Center's 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 grants and contribution. 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 2019 and 2018, the Foundation contributed approximately \$6.4 million and \$36.1 million, respectively, to the Medical Center for reimbursement of expenditures incurred specifically related to restricted purposes. Of such amounts, approximately \$2.4 million and \$8.2 million, respectively, represent reimbursement for operating expenditures. During 2019 and 2018, approximately \$1.0 million was contributed by the Foundation for research purposes.

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 10 and 11, 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, 2019 and 2018, 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 2014 through 2019 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 June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 provides guidance regarding the treatment of expected credit losses and requires consideration of a broader range of reasonable and

supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, 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 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, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. ASU 2019-03 modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is removed from a collection). If a collection-holding entity has a policy that allows proceeds from the deaccessioned collection items to be used for direct care, it should be disclosed its definition of direct care. ASU 2019-03 is effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application of this standard is permitted and the adoption should be applied on a prospective basis. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

Adopted 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. The adoption of ASU 2016-01 did not have an impact on the Medical Center’s consolidated financial condition, results of operations, or cash flows.

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. The adoption of ASU 2016-15 did not have an impact on the Medical Center’s consolidated financial condition, results of operations, or cash flows.

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. The adoption of ASU 2018-08 did not have an impact on the Medical Center's consolidated financial condition, results of operations, or cash flows.

Effective January 1, 2019, the Medical Center adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842): Section A-Leases: Amendments to the FASB Accounting Standards Codification; Section B-Conforming 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. Under ASU 2016-02, at inception, a lessee must classify leases with a term over one year as either a finance or operating lease, with both classifications resulting in the recognition of a defined right-of-use ("ROU") asset and liability on the balance sheet. Recognition in the statement of operations will differ depending on the lease classification, with finance leases recognizing the amortization of the ROU asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU 2016-02 would be substantially unchanged from the previous lease requirements. The provisions of ASU 2016-02 are effective for reporting periods beginning after December 15, 2018. The Medical Center adopted this ASU including supplemental guidance from ASU 2018-11, *Leases (Topic 842); Targeted Improvements*, issued in July 2018, and ASU 2018-20, *Leases (Topic 842); Narrow-Scope Improvements for Lessors*, issued in December 2018, on October 1, 2019. The provisions of this update were applied using an optional modified retrospective transition method, recognizing a cumulative effect adjustment on the consolidated balance sheet on the date of adoption. The Medical Center elected the transition package of three practical expedients, which, among other things, does not require the reassessment under the new standard of prior conclusions about lease identification, lease classifications, and initial direct costs. The Medical Center also elected the short-term lease recognition exemption for all leases that qualify, permitting the Medical Center to not apply the recognition requirements of this standard to leases with a term of twelve months or less and an accounting policy to not separate lease and non-lease components for certain classes of assets. The Medical Center did elect the use-of-hindsight practical expedient, which resulted in the determination that most renewal options would not be reasonably certain in determining the expected lease term. The Medical Center will use the risk-free rate as the discount rate. On January 1, 2019, the Medical Center recognized a ROU operating asset and related liability of approximately \$12.3 million and \$13.2 million, respectively. The difference between the ROU operating asset and the related lease liability is due to deferred rent. The standard had a material impact in the Medical Center's consolidated balance sheets, however did not have an impact in the consolidated statements of operations and changes in net assets or in the consolidated statements of cash flows.

Refer to Note 9—Leases, for further information regarding the Medical Center leases on certain properties and equipment.

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, 2019, and 2018, 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, 2019 and 2018, is as follows (amounts in thousands):

	2019	2018
Assets:		
Cash and cash equivalents	\$ 4,448	\$ 11,147
Pledges receivable—net	91,408	83,476
Receivables under contribution agreements—net	44,533	43,452
Beneficial interest—Wolfson trust	5,376	4,884
Investments	144,825	114,449
Prepaid expenses and other assets	4	560
Due from the Medical Center	<u>35</u>	<u>-</u>
Total assets	<u>\$290,629</u>	<u>\$257,968</u>
Total liabilities	<u>\$ 599</u>	<u>\$ 893</u>
Net assets:		
Without donor restriction	122,740	98,532
With donor restriction	<u>167,290</u>	<u>158,543</u>
Total net assets	<u>290,030</u>	<u>257,075</u>
Total liabilities and net assets	<u>\$290,629</u>	<u>\$257,968</u>
Total revenues—amounts raised	\$ 25,251	\$ 38,915
Interest, dividends, and other—net ^(A)	14,280	3,066
Operating expenses	(5,626)	(6,137)
Transfers to the Medical Center	(6,422)	(36,141)
Equity transaction with the Medical Center	<u>5,472</u>	<u>35,093</u>
Increase in net assets	32,955	34,796
Net assets—January 1	<u>257,075</u>	<u>222,279</u>
Net assets—December 31	<u>\$290,030</u>	<u>\$257,075</u>

^(A) Interest, dividends, and other—net, includes net realized and unrealized gains (losses) of \$9.6 million and \$(1.4) million for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, the Foundation's investments consisted of approximately \$0.8 million, \$136.7 million, and \$12.7 million, of Level 1, Level 2, and Level 3 investments, 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.

The Foundation's Level 3 investments consist of approximately \$12.7 million of financial instruments as of December 31, 2019. 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 44 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, 2019 and 2018, is composed of the following (in thousands):

	Endowment Net Asset Composition by Fund Type	
	2019	2018
Alzheimer's program	\$ 4,780	\$ 5,502
MSMC 50 Years (Surgical Tower and Emergency Dept.)	83,219	68,021
Melanoma research	1,144	1,601
Surgical oncology	2,424	2,376
Cancer research	848	1,187
Other programs	<u>15,407</u>	<u>15,708</u>
Total funds	<u>\$107,822</u>	<u>\$94,395</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 2019, the Medical Center reflected no adjustment to Medicare net patient revenue for 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, the Medical Center recorded a \$2.2 million increase to patient service revenue to reflect such changes. During 2019 and 2018, 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 2019 and 2018, approximately 24% and 27% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, was for services to Medicare beneficiaries.

Medicaid—Approximately 3.3% and 2.4% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, for 2019 and 2018, respectively, 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 2019 and 2018, approximately 72% and 68% 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, 2019 and 2018, consisted of the following (amounts in thousands):

	2019	2018
Medicare	\$150,075	\$154,501
Managed care	441,080	392,640
Medicaid	20,373	13,650
Self-pay and other	<u>2,677</u>	<u>18,109</u>
Patient service revenue net of contractual allowances, discounts and deductions	<u>\$614,205</u>	<u>\$578,900</u>

The composition of the Medical Center’s patient service revenue by primary service for the years ended December 31, 2019 and 2018, is summarized as follows:

	2019	2018
Service lines:		
Hospital services	\$555,094	\$524,863
Physician services	<u>59,111</u>	<u>54,037</u>
Revenues	<u>\$614,205</u>	<u>\$578,900</u>

At December 31, 2019 and 2018, estimated implicit price concessions of \$53.1 million and \$45.3 million, respectively, had been recorded as reductions to the accounts receivable balance to enable the Medical Center to record revenues and accounts receivable at estimated amounts expected to be collected.

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, 2019 and 2018, 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 \$104.8 million and \$66.3 million in 2019 and 2018, respectively. Such services represented approximately 3.4% and 2.4% of the gross charges of the Medical Center in 2019 and 2018, respectively. The Medical Center’s estimated total cost of caring for patients that qualify fully or partially for charity care in 2019 was approximately \$24.8 million, of which \$4.0 million was related to services covered by third party payors. The Medical Center received approximately \$2.2 million as reimbursement for these services. The 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 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 \$17.2 million and \$16.1 million for 2019 and 2018, 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 \$14.7 million and \$13.6 million for 2019 and 2018, 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, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 40,912	\$ 45,392
Investments	106,754	141,528
Accounts receivable—net	<u>83,687</u>	<u>79,371</u>
Total	<u>\$231,353</u>	<u>\$266,291</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, 2019, are stated at fair value as follows:

Investments and Assets Whose Use Is Limited	Investments	Assets Whose Use Is Limited	Total
Cash and short-term investments	\$ -	\$24,117	\$ 24,117
Certificates of deposit	42,805	-	42,805
U.S. Treasury obligations	21,700	-	21,700
U.S. Agency obligations	3,856	-	3,856
Corporate bonds	11,496	-	11,496
Asset backed securities	3,564	-	3,564
Agency mortgaged-backed securities	11,786	-	11,786
Hedge funds	1,113	-	1,113
Mutual funds	10,046	-	10,046
Interest receivable	<u>388</u>	<u>20</u>	<u>408</u>
Total	<u>\$106,754</u>	<u>\$24,137</u>	<u>\$130,891</u>

Investments and assets whose use is limited at December 31, 2018, are stated at fair value as follows:

Investments and Assets Whose Use Is Limited	Assets Whose Use Is Limited		Total
	Investments		
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>

Funds held by trustee of approximately \$13.0 million and \$13.4 million as of December 31, 2019 and 2018, 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 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, 2019 and 2018, are composed of the following (amounts in thousands):

	2019	2018
Investment income:		
Interest and dividend income	\$3,895	\$4,250
Net realized gain (loss) on sales of securities	154	(116)
Net unrealized gain (loss) on investments	<u>1,078</u>	<u>(234)</u>
Total	<u>\$5,127</u>	<u>\$3,900</u>

7. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018, are summarized as follows (amounts in thousands):

	2019	2018
Land and land improvements	\$ 12,411	\$ 11,961
Buildings and improvements	571,928	379,122
Equipment and software	161,753	133,667
Capital lease equipment	<u>-</u>	<u>58,377</u>
Total	746,092	583,127
Less accumulated depreciation	<u>(333,920)</u>	<u>(336,789)</u>
Total	412,172	246,338
Construction in progress	<u>15,279</u>	<u>205,908</u>
Property and equipment—net	<u><u>\$ 427,451</u></u>	<u><u>\$ 452,246</u></u>

Depreciation expense for the years ended December 31, 2019 and 2018, amounted to approximately \$44.5 million and \$35.4 million, respectively. The estimated cost to complete construction in progress for 2019 and 2018 is approximately \$53 million and \$143 million, respectively. Accumulated depreciation for equipment under capital lease obligations was approximately \$23.3 million as of December 31, 2018. Interest capitalized during fiscal years 2019 and 2018 was approximately \$1.7 million and \$6.8 million, respectively.

In February 2019, the Medical Center opened the seven-story Skolnick Surgical Tower and 34,000 square foot Hildebrandt Emergency Center.

During 2019 and 2018, the Medical Center incurred approximately \$1.8 million and \$1.1 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, 2019 and 2018.

8. LONG-TERM DEBT

Long-term debt and notes payable obligations as of December 31, 2019 and 2018, consisted of the following (amounts in thousands):

	2019	2018
Hospital Revenue Refunding Bonds, Series 2014—inclusive of net unamortized premium of \$7,853 and \$8,308 and net unamortized issuance costs of \$1,871 and \$1,957 at December 31, 2019 and 2018, respectively	\$ 171,053	\$ 172,631
Hospital Revenue Refunding Bonds, Series 2012—inclusive of net unamortized premium of \$2,733 and \$3,402 and net unamortized issuance costs of \$603 and \$719 at December 31, 2019 and 2018, respectively	90,091	97,367
Promissory notes with interest rate of 4.68% and 4.46% at December 31, 2019 and 2018, respectively, and maturities in July 2022	<u>6,413</u>	<u>7,297</u>
Total long-term debt	267,557	277,295
Less current portion	<u>9,218</u>	<u>8,818</u>
Long-term debt-net of current portion	<u>\$ 258,339</u>	<u>\$ 268,477</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.

As of December 31, 2019, the scheduled principal repayments on long-term debt and notes payable obligations for the next five years and thereafter are as follows (amounts in thousands):

Years Ending December 31	Revenue Bonds	Notes Payable	Total
2020	\$ 8,336	\$ 882	\$ 9,218
2021	8,750	884	9,634
2022	9,185	4,647	13,832
2023	9,645	-	9,645
2024	10,130	-	10,130
Thereafter	<u>206,985</u>	<u>-</u>	<u>206,985</u>
Total	253,031	6,413	259,444
Unamortized issuance cost	(2,473)	-	(2,473)
Unamortized bond premium	<u>10,586</u>	<u>-</u>	<u>10,586</u>
Total	<u>\$261,144</u>	<u>\$6,413</u>	<u>\$267,557</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. LEASES

The Medical Center leases certain equipment and facilities under both operating and finance leases with terms generally ranging from 1 to 10 years. The nature of these leases generally falls into one of the following categories: real estate, medical equipment (which includes equipment supporting patient services), office and facility equipment. With the adoption of ASC 2016-02, the Medical Center must classify leases with a term over one year as either a finance or operating lease. The Medical Center elected the allowed exception for reporting short-term leases and will not recognize a ROU asset or lease liability with an initial term of twelve months or less.

For finance leases, a ROU asset and lease liability is recognized at the lease commencement date, except for leases with initial terms of twelve months or less. The ROU asset balance is initially measured as the present value of the future minimum lease payments adjusted for any initial direct costs incurred and lease incentives received. The lease liability is initially measured as the present value of unpaid lease payments and is subsequently measured at amortized cost using the effective interest method.

It is the policy of the Medical Center, in accordance with the practical expedients for transition provided by ASU 2016-12, to: (1) use the entire lease payment in the measurement of the right-of-use (ROU) asset and related liability for gross leases where the real estate taxes, insurance, and common area maintenance ("CAM") are fixed and included as part of the fixed based rent in a single lease payment; or (2) use only the rent payment in the measurement of the ROU asset and related liability for net leases where the real estate taxes and insurance are already separated from the lease payment. CAM would be included in the measurement of the ROU if it is a fixed payment and excluded if it is a variable payment. For all other leases, the liability is initially measured as the present value of the unpaid lease payments. Certain estimates and judgements are required in the determination of the lease liabilities. A lease is required to discount unpaid fixed lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Medical Center has elected to use the risk-free interest rate for the applicable period.

Lease terms include the non-cancellable period of the lease including any additional periods covered by an extension of the lease or an early termination that are reasonably certain to be exercised. Generally, the Medical Center cannot be reasonably certain about whether or not it will renew a lease until such time as the lease is up for renewal. When the Medical Center is reasonably certain that a renewal option will be exercised, it measures the right-of-use asset and related lease liability using the lease payments specified for the renewal period.

Lease payments included in the measurement of the lease liability include fixed payments owed over the lease term, termination penalties if expected to exercise termination options, and the price to purchase the underlying asset if the Medical Center is reasonably certain to exercise the purchase option and residual value guarantee, if applicable.

The Medical Center entered into three finance lease agreements with Banc of America for the procurement of various capital equipment on February 12, 2019, April 10, 2019, and May 14, 2019 totaling \$1.7 million, \$3.9 million and \$1.4 million, respectively. The interest rates for the finance leases are 4.98%, 5.52%, and 4.91%, respectively.

On June 27, 2019, the Medical Center entered into a finance lease agreement with Intuitive Surgical, Inc. for the procurement of capital equipment totaling \$1.8 million. The interest rate for this finance lease is 2.51%.

As of December 31, 2019, the Medical Center held equipment under financing lease obligation of approximately \$66.6 million before accumulated depreciation. Accumulated depreciation for equipment under financing lease obligation was approximately \$34.3 million as of December 31, 2019.

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	Finance	Operating	Total
2020	\$11,160	\$ 2,604	\$13,764
2021	9,784	2,335	12,119
2022	8,824	1,849	10,673
2023	8,314	1,671	9,985
2024	6,057	1,382	7,439
Thereafter	<u>1,570</u>	<u>2,467</u>	<u>4,037</u>
Total undiscounted cash flows	45,709	12,308	58,017
Less present value discount	<u>(3,737)</u>	<u>(924)</u>	<u>(4,661)</u>
Total lease liabilities	<u>\$41,972</u>	<u>\$11,384</u>	<u>\$53,356</u>

Payments due under lease contracts include fixed payments and any variable payments. Lease agreements with fixed payments are recognized on a straight-line basis over the term of the lease, including any periods of rent holidays. Variable payments associated with leases, including usage-based rent and increases based on index, are recognized as they are incurred. Expenses for operating leases are recognized within administrative and general expenses on the consolidated statement of operations and amortization of assets held under finance leases are included in depreciation and amortization expense on the consolidated statement of operations.

Supplemental lease activity at or for the twelve months ended December 31, 2019 is as follows (amounts in thousands):

Description	2019
Lease expense:	
Finance lease expense:	
Amortization of ROU assets—finance leases	\$11,566
Interest on lease liabilities—finance leases	1,823
Operating lease expense	2,563
Short-term lease expense	-
Variable lease expense	<u>636</u>
 Total lease cost	 <u><u>\$16,588</u></u>

Other information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases	\$ 1,823
Financing cash flows from finance leases	9,880
Operating cash flows from operating leases	2,248
New ROU assets—operating leases	12,741
New ROU assets—finance leases	8,797
Weighted Average Lease Term—Finance Leases	4.54 yrs
Weighted Average Lease Term—Operating Leases	5.81 yrs
Weighted Average Discount Rate—Finance Leases	3.97%
Weighted Average Discount Rate—Operating Leases	2.63%

The total rent expense charged to operations for the year ended December 31, 2018 amount to \$9.1 million.

The Medical Center has a one 50-year land lease agreement with Landmark which commenced in 2007. As of December 31, 2019 and 2018, the Medical Center recognized income from leased office space and land to independent physicians, medical practices, and service providers of approximately \$4.7 million and \$5.0 million, respectively.

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

**Years Ending
December 31**

2020	\$ 3,413
2021	2,057
2022	1,793
2023	1,208
2024	989
Thereafter	<u>5,042</u>
 Total	 <u><u>\$14,502</u></u>

10. 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 \$340,000 as collateral for its workers' compensation claims. The Medical Center has accrued a discounted liability of approximately \$6.2 million and \$5.1 million as of December 31, 2019 and 2018, 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, 2019 and 2018, \$2.1 million and \$1.9 million is classified as other current liabilities and \$4.1 million and \$3.2 million is classified as liability for self-insured claims in the Medical Center's consolidated balance sheets, respectively. The undiscounted liability was \$6.6 million and \$5.4 million at December 31, 2019 and 2018, 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 2019 and 2018. Workers' compensation losses and loss adjustment expenses in the consolidated statements of operations and changes in net assets for 2019 and 2018 were approximately \$3.3 million and \$1.4 million, respectively, and are included in malpractice and other insurance—net of recoveries. Recoveries in 2019 and 2018 were not material to the consolidated financial statements.

During 2019, the Medical Center recorded a \$1.1 million increase to malpractice and other insurance expense in the accompanying consolidated statements of operations due to a change in estimate resulting from unfavorable development and settlements of historical outstanding claims. During 2018, the Medical Center recorded a \$0.6 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.

11. 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, 2019 and 2018, the Medical Center is also responsible for any claim in excess of \$60 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 2019 and 2018. At December 31, 2019 and 2018, the Medical Center recorded discounted professional liability reserves of approximately \$64.3 million and \$66.0 million and a corresponding receivable related to expected reinsurance recoveries in the amount of approximately \$8.6 million and \$9.2 million, respectively. Approximately \$19.4 million and \$19.8 million is included in other current liabilities and \$44.9 million and \$46.2 million in liability for self-insured claims—net of current portion in the accompanying consolidated balance sheets as of December 31, 2019 and 2018, respectively. Approximately \$2.6 million and \$2.8 million of the corresponding receivable is classified as prepaid and other assets and \$6.0 million and \$6.4 million is classified as receivable for insured claims in the accompanying consolidated balance sheets at December 31, 2019 and 2018, respectively.

During 2019 and 2018, respectively, the Medical Center recorded a \$11.9 million and \$2.5 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 \$15.2 million and \$19.1 million in 2019 and 2018, respectively.

12. 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, 2019 and 2018, was as follows:

	2019	2018
Medicare	13 %	9 %
Medicaid	5	2
Managed care	80	85
Other third-party payors	1	2
Self-pay	<u>1</u>	<u>3</u>
Total	<u>100 %</u>	<u>100 %</u>

13. 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, 2019 and 2018, amounted to approximately \$4.4 million and \$4.2 million, respectively.

14. 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, 2019 and 2018, the Medical Center had accrued indigent care assessment liabilities of approximately \$9.2 million and \$8.7 million, respectively. This liability relates to the estimated current reporting period plus any unpaid amounts from the preceding fiscal year(s).

15. 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, 2019 and 2018, are available for the following purposes (amounts in thousands):

	2019	2018
Beneficial interest in Foundation net assets without donor restriction	\$122,740	\$ 98,532
Beneficial interest in Foundation net assets with donor restriction	<u>167,290</u>	<u>158,543</u>
	<u>\$290,030</u>	<u>\$257,075</u>

16. 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, 2019, are as follows (amounts in thousands):

	Health Care Services	General and Administrative	Research	Total
Wages, salaries and benefits	\$ 230,519	\$ 105,440	\$ 4,233	\$ 340,192
Supplies	138,524	5,018	711	144,253
General and administrative	29,448	56,272	8,887	94,607
Malpractice and other insurance—net of recoveries	17,553	5,274	25	22,852
Depreciation and amortization	31,170	13,296	59	44,525
Interest expense	8,832	3,634	17	12,483
Indigent care assessment	<u>4,639</u>	<u>1,909</u>	<u>9</u>	<u>6,557</u>
Total expenses	<u>\$ 460,685</u>	<u>\$ 190,843</u>	<u>\$ 13,941</u>	<u>\$ 665,469</u>

Expenses related to providing these services for the years ended December 31, 2018, are as follows (amounts in thousands):

	Health Care Services	General and Administrative	Research	Total
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>

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.

17. 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 \$790,000 and \$772,000, as of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018.

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 2019 and 2018, the partnership made capital distributions to the members totaling \$300,000 and \$500,000 each, respectively. As of December 31, 2019 and 2018, the Medical Center's investment in the joint venture is recorded in other assets in the consolidated financial statements at \$1,089,000 and \$861,000, respectively.

18. 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, 2019 and 2018.

The disclosure of fair value measurements as of December 31, 2019, 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	\$24,117	\$ -	\$ -	\$ 24,117
Certificate of deposits	-	42,805	-	42,805
U.S. Treasury obligations	-	21,700	-	21,700
U.S. Agency obligations	-	3,856	-	3,856
Corporate bonds	-	11,496	-	11,496
Asset backed securities	-	3,564	-	3,564
Agency mortgaged-backed securities	-	11,786	-	11,786
Mutual funds	10,046	-	-	10,046
Interest receivable	<u>388</u>	<u>20</u>	<u>-</u>	<u>408</u>
Total investments in fair value hierarchy	34,551	95,227	-	129,778
Investments measured at net asset value—hedge funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,113</u>
Total	<u>\$34,551</u>	<u>\$95,227</u>	<u>\$ -</u>	<u>\$130,891</u>

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>

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.

19. COMMITMENTS AND CONTINGENCIES

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, 2019, 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, 2019**

	Hospital (Core)	Other Health Care Services Division	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 40,912	\$ -	\$ 40,912
Temporary investments	106,754	-	106,754
Patient accounts receivable—net	71,666	5,332	76,998
Other receivables	1,755	1,608	3,363
Due from third party payors	3,326	-	3,326
Inventories	10,258	-	10,258
Prepaid and other assets	<u>15,917</u>	<u>1,795</u>	<u>17,712</u>
Total current assets	<u>250,588</u>	<u>8,735</u>	<u>259,323</u>
ASSETS WHOSE USE IS LIMITED:			
Funds held by trustee	13,025	-	13,025
Self-insurance trust fund	2,656	-	2,656
Other investments	<u>8,456</u>	<u>-</u>	<u>8,456</u>
Total assets whose use is limited	24,137	-	24,137
BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.	290,030	-	290,030
PROPERTY, PLANT AND EQUIPMENT—Net	415,812	11,639	427,451
RECEIVABLE FOR INSURED CLAIMS	6,033	-	6,033
RIGHT OF USE FINANCING LEASE ASSETS	32,335	-	32,335
RIGHT OF USE OPERATING LEASE ASSETS	10,501	-	10,501
OTHER ASSETS	<u>2,569</u>	<u>-</u>	<u>2,569</u>
TOTAL ASSETS	<u><u>\$ 1,032,005</u></u>	<u><u>\$ 20,374</u></u>	<u><u>\$ 1,052,379</u></u>

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUPPLEMENTAL DIVISIONAL BALANCE SHEET INFORMATION AS OF DECEMBER 31, 2019

	Hospital (Core)	Other Health Care Services Division	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 32,565	\$ 931	\$ 33,496
Accrued wages, salaries and benefits	30,715	-	30,715
Indigent care assessment—current portion	5,549	-	5,549
Other current liabilities	28,421	5,541	33,962
Due to third-party payors	15,124	-	15,124
Current portion of financing lease obligations	9,755	-	9,755
Current portion of operating lease obligations	2,337	-	2,337
Current portion of long-term debt	<u>9,218</u>	<u>-</u>	<u>9,218</u>
Total current liabilities	133,684	6,472	140,156
FINANCING LEASE OBLIGATIONS—Net of current portion	32,217	-	32,217
OPERATING LEASE OBLIGATIONS—Net of current portion	9,047	-	9,047
LONG TERM DEBT—Net of current portion	258,339	-	258,339
INDIGENT CARE ASSESSMENT—Net of current portion	3,651	-	3,651
OTHER LONG-TERM LIABILITIES	484	-	484
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>49,048</u>	<u>-</u>	<u>49,048</u>
Total liabilities	<u>486,470</u>	<u>6,472</u>	<u>492,942</u>
NET ASSETS:			
Without donor restriction	255,505	13,902	269,407
With donor restriction	<u>290,030</u>	<u>-</u>	<u>290,030</u>
Total net assets	<u>545,535</u>	<u>13,902</u>	<u>559,437</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,032,005</u>	<u>\$ 20,374</u>	<u>\$ 1,052,379</u>

(Concluded)

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

**SUPPLEMENTAL DIVISIONAL STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Hospital Division	Other Health Care Services Division	Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:			
Patient service revenue net of contractual allowances, discounts and deductions	\$ 614,205	\$ -	\$ 614,205
Other revenue	21,400	19,559	40,959
Net assets released from restrictions by the Foundation	-	3,401	3,401
Net assets released from restrictions for research, grants, and other	<u>-</u>	<u>10,669</u>	<u>10,669</u>
Total unrestricted revenues, gains, and other support	<u>635,605</u>	<u>33,629</u>	<u>669,234</u>
EXPENSES:			
Wages, salaries, and benefits	333,418	6,774	340,192
Supplies	139,925	4,328	144,253
Administrative and general	84,805	9,802	94,607
Malpractice and other insurance—net of recoveries	22,852	-	22,852
Depreciation	43,637	888	44,525
Interest	12,483	-	12,483
Indigent care assessment	<u>6,557</u>	<u>-</u>	<u>6,557</u>
Total expenses	<u>643,677</u>	<u>21,792</u>	<u>665,469</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ (8,072)</u>	<u>\$ 11,837</u>	<u>\$ 3,765</u>