

Mount Sinai Medical Center of Florida, Inc. and Subsidiaries

Consolidated Financial Statements as of and for the
Years Ended December 31, 2016 and 2015,
Supplemental Information for the Year Ended
December 31, 2016, and Independent Auditors' Reports
in Accordance with Government Auditing Standards,
Uniform Grant Guidance, and State of Florida Rules of
the Auditor General, Chapter 10.650

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

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

Tel: +1 305 372 3100
Fax: +1 305 372 3160
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2016 and 2015, and the related consolidated statements of operations and 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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

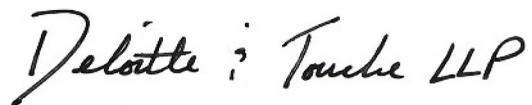
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Medical Center as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary divisional information listed in the table of contents 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. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Florida Rules of the Auditor General, Chapter 10.650, *State Single Audit Act Audits of Non-Profit and For-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such 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, the supplementary divisional information and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, except for our report on Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

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, 2017, except for our report on the Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017.

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2016 AND 2015 (Amounts in thousands)

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 32,205	\$ 39,284
Temporary investments	223,611	222,393
Patient accounts receivable—net of allowances for uncollectible accounts of approximately \$43.2 million in 2016 and \$40 million in 2015	69,362	68,655
Other receivables	4,832	6,166
Inventories	9,602	10,369
Prepaid and other assets	<u>12,089</u>	<u>10,756</u>
Total current assets	<u>351,701</u>	<u>357,623</u>
ASSETS WHOSE USE IS LIMITED:		
Funds held by trustee	74,557	105,250
Self-insurance trust fund	1,378	3,226
Other investments	<u>7,962</u>	<u>4,874</u>
Total assets whose use is limited	<u>83,897</u>	<u>113,350</u>
BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.	172,317	148,769
PROPERTY AND EQUIPMENT—Net	255,548	204,161
RECEIVABLE FOR INSURED CLAIMS	17,038	17,940
OTHER ASSETS	<u>2,284</u>	<u>2,395</u>
TOTAL	<u>\$ 882,785</u>	<u>\$ 844,238</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 27,966	\$ 29,123
Accrued wages, salaries, and benefits	26,623	23,136
Indigent care assessment—current portion	4,851	4,653
Other current liabilities	36,508	35,745
Due to third-party payors	14,972	17,691
Current portion of long-term debt capital leases	3,585	3,320
Current portion of long-term debt	<u>16,861</u>	<u>10,348</u>
Total current liabilities	131,366	124,016
LONG-TERM DEBT CAPITAL LEASES—Net of current portion	7,139	6,079
LONG-TERM DEBT—Net of current portion	279,682	297,643
INDIGENT CARE ASSESSMENT—Net of current portion	3,285	3,062
OTHER LONG-TERM LIABILITIES	325	284
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>58,866</u>	<u>62,625</u>
Total liabilities	<u>480,663</u>	<u>493,709</u>
COMMITMENTS AND CONTINGENCIES (Notes 6, 7, and 18)		
NET ASSETS:		
Unrestricted	229,805	201,760
Temporarily restricted	161,773	138,622
Permanently restricted	<u>10,544</u>	<u>10,147</u>
Total net assets	<u>402,122</u>	<u>350,529</u>
TOTAL	<u>\$ 882,785</u>	<u>\$ 844,238</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, 2016 AND 2015 (Amounts in thousands)

	2016	2015
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:		
Patient service revenue net of contractual allowances and discounts	\$614,563	\$581,975
Provision for doubtful accounts	<u>79,107</u>	<u>66,657</u>
Net patient service revenue	535,456	515,318
Other revenue	28,485	23,214
Net assets released from temporary restrictions by the Foundation	736	616
Net assets released from temporary restrictions for research, grants, and other	<u>2,315</u>	<u>1,570</u>
Total unrestricted revenues, gains, and other support	566,992	540,718
EXPENSES:		
Wages, salaries, and benefits	296,625	268,529
Supplies	121,504	113,881
Administrative and general	70,643	68,577
Malpractice and other insurance—net of recoveries	13,943	8,636
Depreciation	28,804	26,085
Interest	10,744	12,219
Indigent care assessment	<u>5,944</u>	<u>5,572</u>
Total expenses	<u>548,207</u>	<u>503,499</u>
EXCESS OF REVENUES OVER EXPENSES	<u>18,785</u>	<u>37,219</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, 2016 AND 2015 (Amounts in thousands)

	2016	2015
UNRESTRICTED NET ASSETS:		
Excess of revenues over expenses	\$ 18,785	\$ 37,219
Net assets released from restrictions used for capital purposes	<u>9,260</u>	<u>13,683</u>
Increase in unrestricted net assets	<u>28,045</u>	<u>50,902</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Temporarily restricted grants and contributions	12,310	15,869
Net assets released from restrictions	(12,310)	(15,869)
Change in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	<u>23,151</u>	<u>5,040</u>
Increase in temporarily restricted net assets	<u>23,151</u>	<u>5,040</u>
PERMANENTLY RESTRICTED NET ASSETS—Change in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	<u>397</u>	<u>4,857</u>
CHANGE IN NET ASSETS	51,593	60,799
NET ASSETS—Beginning of year	<u>350,529</u>	<u>289,730</u>
NET ASSETS—End of year	<u>\$ 402,122</u>	<u>\$ 350,529</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, 2016 AND 2015 (Amounts in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 51,593	\$ 60,799
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,804	26,357
Bond premium and issuance costs amortization—net	(1,099)	(1,398)
Provision for uncollectable accounts	79,107	66,657
Noncash purchase discount	(1,828)	(2,032)
Gain on disposal of property, plant, and equipment	(1)	(152)
Temporarily restricted grants and contributions for capital purposes	(9,260)	(13,683)
Changes in the beneficial interest in the net assets of Mount Sinai Medical Center Foundation, Inc.	(23,548)	(9,897)
Realized loss on sale of securities and change in net unrealized losses on investments	374	510
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(79,814)	(65,770)
Decrease in other receivables	353	491
Decrease in due to third-party payors	(2,719)	(330)
Decrease (increase) in inventories	767	(2,538)
(Increase) decrease in prepaid and other current assets	(1,333)	525
Decrease in other noncurrent assets	1,939	1,581
Decrease (increase) in receivable for insured claims	902	(1,009)
Decrease in accounts payable and accrued expenses	(1,785)	(9,085)
Increase (decrease) in accrued wages, salaries, and benefits	3,487	(7,199)
Increase in indigent care assessment	421	114
(Decrease) increase in other current liabilities	(731)	1,269
Increase in other long-term liabilities	42	16
Decrease in liability for self-insured claims	(3,759)	(2,284)
	<u>\$ 41,912</u>	<u>\$ 42,942</u>

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (Amounts in thousands)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (74,124)	\$ (60,888)
Proceeds from the sale of property and equipment	27	205
Proceeds from restricted grants and contributions for capital purposes	9,873	6,735
Purchases of investments	(73,119)	(133,618)
Proceeds from sales and maturities of investments	71,622	41,271
Assets whose use is limited:		
Purchases of investments	(218,816)	(267,543)
Proceeds from sales of investments	<u>248,174</u>	<u>284,572</u>
Net cash used in investing activities	<u>(36,363)</u>	<u>(129,266)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from restricted grants and contributions for capital purposes	1,862	-
Repayment of long-term debt	(8,790)	(8,600)
Repayment of notes payable/capital lease	<u>(5,700)</u>	<u>(4,209)</u>
Net cash used in financing activities	<u>(12,628)</u>	<u>(12,809)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,079)	(99,133)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>39,284</u>	<u>138,417</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 32,205</u>	<u>\$ 39,284</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash paid for interest net of amounts capitalized of \$2,383 and \$1,103 in 2016 and 2015, respectively		
	<u>\$ 11,704</u>	<u>\$ 13,107</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of equipment through note payable and capital lease	<u>\$ 5,466</u>	<u>\$ 6,225</u>
Acquisition of equipment through accounts payable and accrued expenses	<u>\$ 8,201</u>	<u>\$ 7,573</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, 2016 AND 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Subsequent Events—In preparing these consolidated financial statements and in accordance with Accounting Standards Codification (“ASC”) 855, Subsequent Events, the Medical Center has evaluated events and transactions for potential recognition or disclosure through March 31, 2017, the date the consolidated financial statements were issued.

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

Valuation of Patient Accounts Receivable—The Medical Center reports its patient accounts receivable at their net realizable value. The Medical Center determines the net realizable value of its receivables based on established agreements with third-party payors that provide for payments to the Medical Center at amounts that typically differ from its

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

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

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

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

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

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

Bond Issue Costs—Unamortized bond issue costs of approximately \$3.1 and \$3.4 million as of December 31, 2016 and 2015, respectively, are included in long term debt-net of current portion in the accompanying consolidated balance sheets. Bond issue costs incurred in obtaining long-term debt are being amortized by a method approximating the

interest method over the life of the related debt. Amortization of the bond issue costs is included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

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

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

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

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

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

During 2016 and 2015, the Foundation contributed approximately \$736,000 and \$616,000, respectively, to the Medical Center for reimbursement of expenditures incurred specifically related to temporarily restricted purposes. Of such amounts, approximately \$736,000 and \$616,000, respectively, represent reimbursement for operating expenditures.

Excess of Revenues over Expenses—The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restrictions were to be used for the purposes of acquiring such assets), and net assets released from restrictions used for capital purposes.

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

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

The Medical Center follows the provisions of ASC 740-15-2, *Income Taxes*, and has determined that as of December 31, 2016 and 2015, 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 2010 through 2015 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

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

During the years ended December 31, 2016 and 2015, the Medical Center recognized HITECH incentives related to having demonstrated meaningful use of, and completed attestations as to their adoption or implementation of, certified EHR technology. The Medicare and Medicaid incentives recognized during the year ended December 31, 2016, were \$1.8 million and \$0.0 million, respectively. The Medicare and Medicaid incentives recognized during the year ended December 31, 2015, were \$137,000 and \$13,000, respectively. These incentive reimbursements are included in other revenue in the consolidated statements of operations and changes in net assets. The Medical Center accounts for EHR incentive payments using the gain contingency model. Pursuant to the gain contingency model, the Medical Center recognizes EHR revenue when the specified meaningful use criteria have been satisfied, as all contingencies in estimating the amount of the incentive payments to be received are resolved. Medicare meaningful use attestations are subject to audit by the federal government or its designee.

New Accounting Pronouncements—In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *“Revenue from Contracts with Customers (Topic 606)”* (“ASU 2014-09”). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *“Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date”* (“ASU 2015-14”). ASU 2015-14 defers the effective date of ASU 2014-09 for all affected entities. As a result, ASU 2014-09 is effective for the annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted, only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* (“ASU 2015-11”). ASU 2015-11 requires inventories to be valued at the lower of cost or net realizable value. ASU 2015-11 is effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

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

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

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

the investee to the current basis of the investor's previously held interest, and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The provisions of this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

In April 2016, FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("ASU 2016-10"), and in May 2016, ASU 2016-12, *Revenues from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12") both of which provide supplemental adoption guidance and clarification to ASU 2014-09. ASU 2016-10 and ASU 2016-12 must be adopted concurrently with the adoption of ASU 2014-09.

In August 2016, the FASB Issued ASU 2016-14, *Not-For-Profit Entities-Presentation of Financial Statement of Not-for-Profit Entities (Topic 958)* ("ASU 2016-14"). ASU 2016-14 requires not-for-profit entities to present on the balance sheet amounts for two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) rather than the three classes currently required. Not-for-profit entities are required to enhance disclosures regarding board designations and composition of net assets with donor restrictions. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and or interim periods within fiscal years, beginning after December 15, 2018. ASU 2016-14 is applied on a retrospective basis in the year in which the guidance is adopted. Early adoption is permitted. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

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

In October 2016, the FASB Issued ASU 2016-17, *Consolidation – Interests Held through Related Parties That Are Under Common Control (Topic 810)* ("ASU 2016-17"). ASU 2016-17 clarifies treatment of interests held by a single decision-making entity and other related parties under common control. ASU 2016-17 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

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

Adopted Accounting Pronouncements—In April 2015, the FASB issued ASU 2015-03, *"Simplifying the Presentation of Debt Issuance Cost"* ("ASU 2015-03"). ASU 2015-03 provides guidance to simplify the presentation of debt issue costs in the financial statements. Under ASU 2015-03, debt issue costs will be presented as a direct deduction from the related debt liability. The guidance provided in ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. The Medical Center adopted ASU 2015-03 as of January 1, 2016 and has applied it retrospectively, as required. As of December 31, 2016 and December 31, 2015, the Medical Center reclassified \$3.1 million and \$3.4 million of unamortized issuance costs previously recorded in other assets to long-term debt in the consolidated balance sheets.

In April 2015, the FASB issued ASU 2015-05, *"Customer's Accounting for Fees Paid in a Cloud Computing Arrangement"* ("ASU 2015-05"). ASU 2015-05 provides guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software. The new guidance requires fees related to the software license element of the cloud computing arrangement to be accounted for in a consistent manner with the acquisition of other software licenses. The guidance provided in ASU 2015-05 is effective for fiscal years beginning after December 15, 2015. The adoption of ASU 2015-05 did not have an impact on the Medical Center's consolidated financial condition, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). ASU 2015-16 requires that an acquirer recognize adjustments to provision amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 requires that the acquirer record, in the same period's financial statements, the effect on earning of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provision amounts, calculated as if the accounting has been completed at the acquisition date. ASU 2015-16 is effective for the first interim period within annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of ASU 2015-16 did not have an impact on the Medical Center's consolidated financial condition, results of operations or cash flows.

Reclassification—As of December 31, 2016, the Medical Center presented unamortized issuance cost in long term debt in the accompanying consolidated balance sheet. The corresponding December 31, 2015 unamortized issuance cost, which was previously presented in other assets in the consolidated balance sheet, has been reclassified to conform with the December 31, 2016 presentation.

Immaterial Restatement—Subsequent to the issuance of the December 31, 2015 consolidated financial statements, the Medical Center determined that restricted grants and contributions for capital purposes were incorrectly reported in the consolidated statement of cash flows. These amounts have been corrected in the accompanying consolidated statement of cash flows for the year ended December 31, 2015. Within the cash flows from operating activities section, a reconciling item for temporarily restricted grants and contributions of \$13.7 million has been added and cash flows related to the change in other receivables and other current liabilities increased \$4.0 million and \$2.9 million, respectively. Within cash flows from investing activities section, a line item for the proceeds from restricted grants and contributions for capital purposes of \$6.7 million was added. The effects of recording the immaterial restatement decreased reported cash provided by operating activities and cash used in investing activities by \$6.7 million.

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, 2016 and 2015, all of the net assets held by the Foundation were recorded as a noncurrent asset in the consolidated balance sheets of the Medical Center as a beneficial interest in the net assets of the Foundation.

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

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

A summary of the Foundation's assets, liabilities, net assets, results of operations, and changes in net assets as of December 31, 2016 and 2015, is as follows (amounts in thousands):

	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 4,648	\$ 4,842
Pledges receivable—net	47,328	42,165
Receivables under contribution agreements—net	29,811	22,996
Beneficial interest—Wolfson trust	4,853	4,656
Investments	78,750	69,039
Endowment investment	5,691	5,491
Prepaid expenses and other assets	1,842	9
Due from the Medical Center	<u>114</u>	<u>52</u>
 Total assets	 <u>\$ 173,037</u>	 <u>\$ 149,250</u>
 Total liabilities	 <u>\$ 720</u>	 <u>\$ 481</u>
 Net assets:		
Unrestricted	53,724	40,450
Temporarily restricted	108,049	98,172
Permanently restricted	<u>10,544</u>	<u>10,147</u>
 Total net assets	 <u>172,317</u>	 <u>148,769</u>
 Total liabilities and net assets	 <u>\$ 173,037</u>	 <u>\$ 149,250</u>
 Total revenues—amounts raised	 \$ 23,406	 \$ 16,128
Interest, dividends, and other—net ^(A)	5,416	(897)
Operating expenses	(4,538)	(4,718)
Transfers to the Medical Center	<u>(736)</u>	<u>(616)</u>
 Increase in net assets	 23,548	 9,897
 Net assets—January 1	 <u>148,769</u>	 <u>138,872</u>
 Net assets—December 31	 <u>\$ 172,317</u>	 <u>\$ 148,769</u>

^(A) Interest, dividends, and other—net, includes net realized and unrealized gains (losses) of \$1.6 million and (\$3.1 million) for the years ended December 31, 2016 and 2015, respectively.

As of December 31, 2016, the Foundation's investments and endowment investments consisted of approximately \$1.1 million, \$76.7 million, and \$11.5 million, of Level 1, Level 2, and Level 3 investments, respectively. As of December 31, 2015, the Foundation's investments and endowment investments consisted of approximately \$1.0 million, \$67.1 million, and \$11.1 million, of Level 1, Level 2, and Level 3 investments, respectively.

The Foundation's Level 3 investments consist of approximately \$11.5 million of financial instruments as of December 31, 2016. These financial instruments are comprised of an investment in a donated life insurance policy and the beneficial interest in the Wolfson trust. The fair value of the donated life insurance policy was determined using a valuation model based on the present value of the face amount of the policy, 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 policy. 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 46 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, 2016, is composed of the following (in thousands):

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

The endowment net asset composition by fund type as of December 31, 2015, is composed of the following (in thousands):

	Temporarily Restricted	Permanently Restricted
Alzheimer's program	\$ 6,656	\$ -
Melanoma research	3,005	-
Cancer lifeline	1,663	-
Cancer research	2,221	-
Other programs	<u>19,852</u>	<u>5,491</u>
 Total funds	 <u>\$ 33,397</u>	 <u>\$ 5,491</u>

3. NET PATIENT SERVICE REVENUE

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

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

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

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

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

During 2016 and 2015, the Medical Center recorded an increase to Medicare net patient service revenue of approximately \$3.3 million and \$1.5 million to reflect changes in prior-year reimbursement estimates related to the settlement of outstanding cost reports, settlements related to audits conducted under the Recovery Audit Contractor Program, and the impact of revaluations on open cost report years. During 2016 or 2015, there were no cost report settlements.

All Medicare cost report years subsequent to fiscal year 2006 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 is recorded in the period that such determinations are made. In 2016 and 2015, approximately 25% of the Medical Center's patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, was for services to Medicare beneficiaries.

Medicaid—Less than 1% of the Medical Center's patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, for 2016 and 2015, was derived from the Medicaid program. As of July 1, 2013, Medicaid changed its reimbursement methodology for inpatient services from a cost-based fee-for-service model to a prospective payment methodology utilizing All Patient Refined Diagnosis Related Groups ("APR-DRGs"). Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to certain cost and regional limits.

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

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

In 2016 and 2015, approximately 55% and 51% of the Medical Center's patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, was for services to nongovernmental third-party payors, respectively.

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

Patient accounts receivable are reduced by an allowance for uncollectable accounts. In evaluating the collectibility of patient accounts receivable the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectable accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectable accounts. For all payor types, when the Medical Center can no longer reasonably estimate collectibility of an account based on the aging of the balance due and the volatility and unpredictable nature of the amount, the Medical Center reserves substantially all amounts due.

Patient service revenue, net of contractual allowances and discounts but before the provision for bad debts, recognized for the years ended December 31, 2016 and 2015, consisted of the following (amounts in thousands):

	2016	2015
Gross patient service revenue:		
Medicare	\$ 724,987	\$ 712,396
Managed care	1,494,659	1,381,871
Medicaid	63,774	68,650
Self-pay and other	<u>193,078</u>	<u>197,897</u>
 Total	 2,476,498	 2,360,814
 Less discounts and allowances	 <u>(1,861,935)</u>	 <u>(1,778,839)</u>
 Patient service revenue net of contractual allowances and discounts	 <u>\$ 614,563</u>	 <u>\$ 581,975</u>

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

The payor mix for the physician revenues for the years ended December 31, 2016 and 2015, is similar to that of the remaining gross patient service revenue in the table above.

The activity in the Medical Center's allowance for uncollectable accounts for the years ended December 31, 2016 and 2015, is summarized as follows:

	2016	2015
Balance, beginning of year	\$ 40,494	\$ 42,259
Provision, during the year	79,107	66,657
Accounts written-off (net of recoveries)	<u>(76,363)</u>	<u>(68,422)</u>
 Balance, end of year	 <u>\$ 43,238</u>	 <u>\$ 40,494</u>

4. CHARITY AND UNCOMPENSATED CARE

The Medical Center maintains records to identify and monitor the level of charity care it provides. The Medical Center does not pursue collection of amounts determined to qualify as charity care and does not report such amount as revenue. Uninsured patients treated at the Medical Center who have income at or below 200% of the federal poverty level are eligible for charity or discounts on charges. The federal poverty level is established by the federal government and is based on income and family size. The amount of gross charges foregone for services identified as charity care were approximately \$53.1 million and \$65.2 million in 2016 and 2015, respectively. Such services represented approximately 2.1% and 2.8% of the gross charges of the Medical Center in 2016 and 2015, respectively.

The Medical Center's estimated total cost of caring for patients that qualify fully or partially for charity care in 2016 was approximately \$19.8 million, of which \$6.7 million was related to services covered by third party payors. The Medical Center received approximately \$2.6 million as reimbursement for these services. The total cost of caring for patients that qualify fully or partially for charity care in 2015 was approximately \$16.3 million, of which \$4.8 million was related to services covered by third party payors. The Medical Center received approximately \$3 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 \$19.2 million and \$23.4 million for 2016 and 2015, respectively, and are reflected in net patient service revenue. The total cost to provide other uncompensated care, excluding those patients that qualified for charity care, was approximately \$17.4 million and \$12.1 million for 2016 and 2015, 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. TEMPORARY INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

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

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

Temporary investments and assets whose use is limited at December 31, 2015, are stated at fair value as follows:

Temporary Investments and Assets Whose Use Is Limited	Temporary Investments	Assets Whose Use Is Limited	Total
Cash and short-term investments	\$ -	\$101,954	\$101,954
Long-term certificates of deposit	127,206	-	127,206
U.S. Treasury obligations	49,814	11,280	61,094
U.S. Agency obligations	3,958	-	3,958
Corporate bonds	14,065	-	14,065
Agency-backed securities	369	-	369
Agency mortgaged-backed securities	11,115	-	11,115
Hedge funds	1,084	-	1,084
Mutual funds	7,522	-	7,522
U.S. fixed income	2,860	-	2,860
Equity securities	4,161	-	4,161
Interest receivable	<u>239</u>	<u>116</u>	<u>355</u>
Total	<u>\$222,393</u>	<u>\$113,350</u>	<u>\$335,743</u>

Funds held by trustee of approximately \$74.6 million and \$105.3 million as of December 31, 2016 and 2015, are presented as a component of assets whose use is limited in the consolidated balance sheets, respectively. Funds held by the trustee primarily relate to assets held in the construction and bond reserve accounts pursuant to the bond indenture agreement. See Note 7 of the consolidated financial statements.

Investment income, including gains and losses for assets whose use is limited, cash and cash equivalents, and temporary 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, 2016 and 2015, are composed of the following (amounts in thousands):

	2016	2015
Investment income:		
Interest and dividend income	\$3,063	\$2,410
Net realized losses on sales of securities	(359)	(238)
Net unrealized losses on investments	<u>(14)</u>	<u>(282)</u>
Total	<u>\$2,690</u>	<u>\$1,890</u>

6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2016 and 2015, are summarized as follows (amounts in thousands):

	2016	2015
Land and land improvements	\$ 11,961	\$ 4,620
Buildings and improvements	280,021	247,261
Equipment and software	161,650	147,108
Equipment under capital lease	<u>18,253</u>	<u>14,784</u>
Total	471,885	413,773
Less accumulated depreciation	<u>(289,962)</u>	<u>(272,838)</u>
Total	181,923	140,935
Construction in progress	<u>73,625</u>	<u>63,226</u>
Property and equipment—net	<u>\$ 255,548</u>	<u>\$ 204,161</u>

Depreciation expense for the years ended December 31, 2016 and 2015, amounted to approximately \$28.8 million and \$26.1 million, respectively. The estimated cost to complete construction in progress for 2016 is approximately \$307.3 million. Accumulated depreciation for equipment under capital lease obligation was approximately \$5.9 million and \$6.0 million as of December 31, 2016 and 2015, respectively. Interest capitalized during fiscal years 2016 and 2015 was approximately \$2.4 million and \$1.1 million, respectively.

During 2016 and 2015, the Medical Center incurred approximately \$9.3 million and \$13.7 million, respectively, for capital expenditures related to the hurricane preparedness programs, the Lowenstein Workforce program, and other grants that are expected to be reimbursed by grantors. Such amounts have been recorded as an increase in unrestricted net assets in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2016 and 2015.

7. LONG-TERM DEBT

Long-term debt and notes payable as of December 31, 2016 and 2015, consisted of the following (amounts in thousands):

	2016	2015
Hospital Revenue Refunding Bonds, Series 2014—inclusive of net unamortized premium of \$9,261 and \$9,764 and net unamortized issuance costs of \$2,132 and \$2,223 at December 31, 2016 and 2015, respectively	\$ 175,689	\$ 177,176
Hospital Revenue Refunding Bonds, Series 2012—inclusive of net unamortized premium of \$4,947 and \$5,795 and net unamortized issuance costs of \$990 and \$1,148 at December 31, 2016 and 2015, respectively	111,328	118,051
EPIC License Agreement—2.125% imputed interest rate with maturity date of December 2016	-	1,558
Capital leases with interest rates between 2.10% and 4.5%, with maturities through September 2021, collateralized by equipment	10,724	9,399
Promissory Notes with interest rate of 2.94% and 2.60% at December 31, 2016 and 2015, respectively, and maturities in June 2017	<u>9,526</u>	<u>11,206</u>
Total long-term debt	307,267	317,390
Less current portion	<u>20,446</u>	<u>13,668</u>
Long-term debt-net of current portion	<u>\$ 286,821</u>	<u>\$ 303,722</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.

During April 2010, the Medical Center became fully obligated under an agreement with EPIC whereby the Medical Center was committed to purchase a software license and implementation services from EPIC in the amount of \$8.2 million and \$5.3 million, respectively. The Medical Center financed the implementation services over 72 months and was required to make monthly installments in the amount of \$87,000. In addition, the Medical Center financed the software license over 84 months. The Medical Center made an initial down payment of \$300,000 related to the software license fee with annual lump-sum payments due in years two and three in the amount of \$400,000 and \$500,000, respectively, with monthly installments of approximately \$172,000 for the remaining 48 months. In July 2013, the Medical Center refinanced the software license fee through Banc of America over 42 months and was required to make monthly installments in the amount of \$131,000. As of December 31, 2016, the Medical Center has no further obligations under this agreement.

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. The promissory notes borrowed under the Facility were used to finance payments made to Aptium pursuant to the purchase of the 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, 2016, the scheduled principal repayments on long-term debt, notes payable, and capital lease obligations for the next five years and thereafter are as follows (amounts in thousands):

Years Ending December 31	Revenue Bonds	Notes Payable	Capital Lease Obligations	Total
2017	\$ 7,335	\$ 9,526	\$ 3,585	\$ 20,446
2018	7,630	-	2,470	10,100
2019	7,935	-	2,303	10,238
2020	8,335	-	2,033	10,368
2021	8,750	-	333	9,083
Thereafter	<u>235,945</u>	<u>-</u>	<u>-</u>	<u>235,945</u>
Total	275,930	9,526	10,724	296,180
Unamortized issuance cost	(3,121)	-	-	(3,121)
Unamortized bond premium	<u>14,208</u>	<u>-</u>	<u>-</u>	<u>14,208</u>
Total	<u>\$ 287,017</u>	<u>\$ 9,526</u>	<u>\$ 10,724</u>	<u>\$ 307,267</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. At December 31, 2016, the Obligated Group has maintained compliance with these covenants.

8. WORKERS' COMPENSATION

The Medical Center is self-insured for workers' compensation claims. The costs of such claims are paid by the Medical Center; however, the Medical Center has commercial insurance coverage on a per occurrence basis in excess of \$500,000 with no aggregate limit. The Medical Center has a restricted fixed deposit investment of \$337,000 as collateral for its workers' compensation claims. The Medical Center has accrued a discounted liability of approximately \$6.0 million and \$5.8 million as of December 31, 2016 and 2015, 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, 2016 and 2015, the discounted liability is classified as \$2.3 million and \$2.2 million in other current liabilities and \$3.7 million and \$3.6 million as liability for self-insured claims in the Medical Center's consolidated balance sheets, respectively. The undiscounted liability was \$6.4 million and \$6.2 million at December 31, 2016 and 2015, 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 2016 and 2015. Workers' compensation losses and loss adjustment expenses in the consolidated statements of operations and changes in net assets for 2016 and 2015 were approximately \$2.1 million and \$2.4 million, respectively, and are included in malpractice and other insurance—net of recoveries. Recoveries in 2016 and 2015 were not material to the consolidated financial statements.

9. PROFESSIONAL LIABILITY PROGRAM

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

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

The 2013 insurance program had a retrospective-rated premium, which provided for a reduction or increase to historical premiums based upon actual experience during the respective policy period. This program ended effective February 1, 2014. During the year ended December 31, 2015, the Medical Center received a retrospective premium reduction related to the 2013 insurance program of approximately \$3.9 million, which was recorded as a reduction of malpractice and other insurance—net of recoveries in the accompanying consolidated statement of operations and changes in net assets.

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 2016 and 2015. At December 31, 2016 and 2015 the Medical Center recorded discounted professional liability reserves of approximately \$76 million and \$81 million and a corresponding receivable related to expected reinsurance recoveries in the amount of approximately \$23.6 million and \$24.6 million, respectively. Approximately \$21.2 million and \$21.8 million is included in other current liabilities and \$55 million and \$59.0 million in liability for self-insured claims—net of current portion in the accompanying consolidated balance sheets as of December 31, 2016 and 2015, respectively. Approximately \$6.6 million and \$6.6 million of the corresponding receivable is classified as other receivables and \$17.0 million and \$18.0 million is classified as receivable for insured claims in the accompanying consolidated balance sheets at December 31, 2016 and 2015, respectively.

During 2016 and 2015, respectively, the Medical Center recorded a \$14.5 million and \$16.7 million reduction to malpractice and other insurance expense in the accompanying consolidated statements of operations due to a change in estimate resulting from favorable development and settlements of historical outstanding claims.

The Medical Center has established a separate revocable trust to fund the actuarially computed liability for the anticipated losses under this program, which has been funded in accordance with the actuary's recommendations. The Medical Center's contribution to the trust was approximately \$8.7 million and \$9.3 million in 2016 and 2015, respectively.

10. CONCENTRATION OF CREDIT RISK

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

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of December 31, 2016 and 2015, was as follows:

	2016	2015
Medicare	23 %	24 %
Medicaid	3	3
Managed care	53	52
Other third-party payors	1	2
Self-pay	<u>20</u>	<u>19</u>
Total	<u>100 %</u>	<u>100 %</u>

11. PENSION 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, 2016 and 2015, amounted to approximately \$3.8 million and \$3.5 million, respectively.

12. INDIGENT CARE ASSESSMENT

The Health Care Consumer Protection and Awareness Act of 1984 (the "Act") created a fund to provide for the treatment of indigent patients. Hospitals in the state of Florida are required to deposit into the fund an amount equal to 1.5% of net inpatient and 1% of net outpatient revenue. The Act specifies that payments will be due in quarterly installments beginning approximately six months after the Medical Center's year-end. As of December 31, 2016 and 2015, the Medical Center had accrued indigent care assessment liabilities of approximately \$8.1 million and \$7.7 million, respectively. This liability relates to the estimated current reporting period plus any unpaid amounts from the preceding fiscal year(s).

13. TEMPORARILY RESTRICTED NET ASSETS

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

Temporarily restricted net assets as of December 31, 2016 and 2015, are available for the following purposes (amounts in thousands):

	2016	2015
Beneficial interest in unrestricted Foundation net assets	\$ 53,724	\$ 40,450
Beneficial interest in temporarily restricted Foundation net assets:		
Pledges receivable and receivables under contribution agreements	68,665	64,775
All other program grants	<u>39,384</u>	<u>33,397</u>
	<u>\$161,773</u>	<u>\$138,622</u>

14. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are primarily held by the Foundation, are reported at fair value, and are restricted to investment and reinvestment in perpetuity, the income from which is expendable to support various programs sponsored by the Medical Center in the areas of oncology and medical education. Permanently restricted net assets totaled approximately \$10.5 million as of December 31, 2016 and \$10.1 million as of December 31, 2015.

15. FUNCTIONAL EXPENSES

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

Expenses related to providing these services for the years ended December 31, 2016 and 2015, are as follows (amounts in thousands):

	2016	2015
Health care services	\$339,451	\$315,839
Research	5,872	4,788
General and administrative	<u>202,884</u>	<u>182,872</u>
Total expenses	<u>\$548,207</u>	<u>\$503,499</u>

16. JOINT VENTURE INVESTMENT

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, 2016 and 2015, the Medical Center's investment in the joint venture is reflected 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, 2016 and 2015.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Transfers between levels occur when there are changes in the determination of whether inputs are observable or not, as well as due to changes in market activity. At December 31, 2016, there were no changes to the level classifications for securities held at December 31, 2015.

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

Description	Fair Value Measurement at Reporting Date			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and short-term investments	\$ 27,783	\$ 56,097	\$ -	\$ 83,880
Long-term certificate of deposits	-	143,671	-	143,671
U.S. Treasury obligations	-	31,976	-	31,976
U.S. Agency obligations	-	4,461	-	4,461
Municipal bonds	-	900	-	900
Corporate bonds	-	12,394	-	12,394
Agency-backed securities	-	697	-	697
Agency mortgaged-backed securities	-	11,266	-	11,266
Hedge funds	-	940	-	940
Mutual funds	10,891	-	-	10,891
Equity securities	6,133	-	-	6,133
Interest receivable	282	17	-	299
Total	<u>\$ 45,089</u>	<u>\$ 262,419</u>	<u>\$ -</u>	<u>\$ 307,508</u>

The disclosure of fair value measurements as of December 31, 2015, 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)	
	Cash and short-term investments	\$ 9,857	\$ 92,097	
Long-term certificate of deposits	-	127,206	-	127,206
U.S. Treasury obligations	-	61,094	-	61,094
U.S. Agency obligations	-	3,958	-	3,958
Corporate bonds	-	14,065	-	14,065
Agency-backed securities	-	369	-	369
Agency mortgaged-backed securities	-	11,115	-	11,115
Hedge funds	-	1,084	-	1,084
Mutual funds	7,522	-	-	7,522
U.S. fixed income	-	2,860	-	2,860
Equity securities	4,161	-	-	4,161
Interest receivable	355	-	-	355
Total	<u>\$ 21,895</u>	<u>\$ 313,848</u>	<u>\$ -</u>	<u>\$ 335,743</u>

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

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

Long-Term Debt—The fair values of the Medical Center’s long-term debt is estimated based on the quoted market price for the same or similar bond issues or on the Medical Center’s current incremental borrowing rates for similar types of borrowing arrangements. As of December 31, 2016, the Medical Center’s long-term debt was classified as Level 2.

The carrying amounts and estimated fair values of the Medical Center’s long-term debt as of December 31, 2016 and 2015, were as follows (amounts in thousands):

	2016		2015	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Long-term debt (including current portion)	<u>\$314,231</u>	<u>\$307,267</u>	<u>\$333,950</u>	<u>\$320,761</u>

18. COMMITMENTS AND CONTINGENCIES

Operating Leases—The Medical Center’s operating leases are primarily related to a land lease, office rental costs, copy machines, and miscellaneous medical equipment. The Medical Center leases office space under agreements that provide for terms of 3 to 10 years, subject to negotiated renewals at the end of each lease. Rents are adjusted

annually for changes in the Consumer Price Index. Miscellaneous equipment leases, such as copy machines, are subject to automatic renewal at the end of their respective lease terms for successive one-year periods under renegotiated terms and conditions. Total rental expenses charged to operations for the years ended December 31, 2016 and 2015, amounted to \$7.1 million and \$6.1 million, respectively.

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

**Years Ending
December 31**

2017	\$ 2,224
2018	2,452
2019	2,490
2020	2,425
2021	2,070
Thereafter	<u>6,156</u>
Total	<u>\$17,817</u>

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

In October 2009, the Medical Center entered into an agreement with the State of Florida under its Community Workforce Housing Innovation Pilot program (“CWHIP”) to assist the Medical Center in covering the construction costs of the renovation of the Lowenstein building. The CWHIP program was created to provide affordable rental and home ownership community workforce housing for essential services personnel affected by the high cost of housing using regulatory incentives and state and local funds to promote local public-private partnerships and leverage government and private resources. Under the program, the Medical Center entered into a forgivable loan agreement with the Florida Housing Finance Corporation to provide a construction loan with a principal amount of \$3.3 million, which upon compliance with the terms of the land use restriction would be completely forgiven. At December 31, 2016, 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.

In March 2010, the Patient Protection and Affordability Care Act (the "Affordable Care Act"), a comprehensive health care reform bill, was signed into law. The legislation is complex and will be phased in over several years, with the most significant parts having begun to take effect in 2015. The Medical Center continues to assess the potential impact of health reform legislation, regulation, and industry trends on its consolidated financial position, results of operations, and cash flows, but does not have enough information or data to predict the effects with certainty. However, it is possible that the Affordable Care Act could have an adverse impact on the operations, financial results, or cash flows of the Medical Center.

The Medical Center has implemented EPIC's Revenue Cycle Management ("RCM") suite application which completed its transition to a fully-integrated EPIC-centric health information management system. This RCM project includes EPIC installations for scheduling, registration, hospital billing and radiology but has broadened operational effects on other clinical, ancillary and support services throughout the Medical Center. This transition required installation of new systems, extensive modifications to or decommissioning of existing systems, training and, in some instances, changes to current processes and procedures. The Medical Center successfully transitioned to the EPIC RCM suite in August, 2016.

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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, 2016

	Hospital (Core)	Other Health Care Services Division	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 32,205	\$ -	\$ 32,205
Temporary investments	223,611	-	223,611
Patient accounts receivable—net of allowance for uncollectible accounts	69,362	-	69,362
Other receivables	537	4,295	4,832
Inventories	9,602	-	9,602
Prepaid and other assets	<u>12,089</u>	<u>-</u>	<u>12,089</u>
Total current assets	<u>347,406</u>	<u>4,295</u>	<u>351,701</u>
ASSETS WHOSE USE IS LIMITED:			
Funds held by trustee	74,557	-	74,557
Self-insurance trust fund	1,378	-	1,378
Other investments	<u>7,962</u>	<u>-</u>	<u>7,962</u>
Total assets whose use is limited	<u>83,897</u>	<u>-</u>	<u>83,897</u>
BENEFICIAL INTEREST IN THE NET ASSETS OF MOUNT SINAI MEDICAL CENTER FOUNDATION, INC.			
	172,317	-	172,317
PROPERTY, PLANT AND EQUIPMENT—Net	241,409	14,139	255,548
RECEIVABLE FOR INSURED CLAIMS	17,038	-	17,038
OTHER ASSETS	<u>2,284</u>	<u>-</u>	<u>2,284</u>
TOTAL ASSETS	<u>\$ 864,351</u>	<u>\$ 18,434</u>	<u>\$ 882,785</u>

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUPPLEMENTAL DIVISIONAL BALANCE SHEET INFORMATION AS OF DECEMBER 31, 2016

	Hospital (Core)	Other Health Care Services Division	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 27,805	\$ 161	\$ 27,966
Accrued wages, salaries and benefits	26,623	-	26,623
Indigent care assessment—current portion	4,851	-	4,851
Other current liabilities	31,188	5,320	36,508
Due to third-party payors	14,972	-	14,972
Current portion of long-term debt capital leases	3,585	-	3,585
Current portion of long-term debt	<u>16,861</u>	<u>-</u>	<u>16,861</u>
Total current liabilities	125,885	5,481	131,366
LONG TERM DEBT CAPITAL LEASES—Net current portion	7,139	-	7,139
LONG TERM DEBT—Net of current portion	279,682	-	279,682
INDIGENT CARE ASSESSMENT—Net of current portion	3,285	-	3,285
OTHER LONG-TERM LIABILITIES	325	-	325
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>58,866</u>	<u>-</u>	<u>58,866</u>
Total liabilities	<u>475,182</u>	<u>5,481</u>	<u>480,663</u>
NET ASSETS:			
Unrestricted	216,852	12,953	229,805
Temporarily restricted	161,773	-	161,773
Permanently restricted	<u>10,544</u>	<u>-</u>	<u>10,544</u>
Total net assets	<u>389,169</u>	<u>12,953</u>	<u>402,122</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 864,351</u>	<u>\$ 18,434</u>	<u>\$ 882,785</u>

(Concluded)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUPPLEMENTAL DIVISIONAL STATEMENT OF OPERATIONS INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	Hospital Division	Other Health Care Services Division	Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:			
Patient service revenue net of contractual allowances and discounts	\$ 614,563	\$ -	\$ 614,563
Provision for doubtful accounts	<u>79,107</u>	<u>-</u>	<u>79,107</u>
Net patient services revenue	535,456	-	535,456
Other revenue	10,013	18,472	28,485
Net assets released from temporary restrictions by the Foundation	-	736	736
Net assets released from temporary restrictions for research, grants, and other	<u>-</u>	<u>2,315</u>	<u>2,315</u>
Total unrestricted revenues, gains, and other support	<u>545,469</u>	<u>21,523</u>	<u>566,992</u>
EXPENSES:			
Wages, salaries, and benefits	289,940	6,685	296,625
Supplies	117,734	3,770	121,504
Administrative and general	67,042	3,601	70,643
Malpractice and other insurance—net of recoveries	13,943	-	13,943
Depreciation	28,804	-	28,804
Interest	10,744	-	10,744
Indigent care assessment	<u>5,944</u>	<u>-</u>	<u>5,944</u>
Total expenses	<u>534,151</u>	<u>14,056</u>	<u>548,207</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 11,318</u>	<u>\$ 7,467</u>	<u>\$ 18,785</u>

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal/State Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
EXPENDITURES OF FEDERAL AWARDS—Research and Development—Cluster:				
U.S. Department of Health and Human Services—National Institute of Health:				
Direct Programs:				
Research and Training in Complementary and Alternative Medicine Trial to Assess Chelation Therapy	93.213			\$ 882,171
Indirect Programs:				
Passed Through Duke University:				
TACT Analysis—CTSA	93.350	203-8635		27,136
Passed Through University of Florida:				
Florida ADRC Clinical Core	93.866			368,635
Aging Research:				
Passed Through University of Southern California:				
ADNI-II/Anti-Amyloid-A4 Study	93.866	5U01AG024904-10/ 75679889		146,437
U.S. Department of Defense				
Passed Through University of Southern California:				
ADNI-DOD	12.420	ADC-044-DOD		<u>11,145</u>
Total Research and Development Cluster				<u>1,435,524</u>
Passed Through State of Florida Department of Health:				
ASPR.COP 8N State of Florida	93.889	COP 8N		<u>8,205</u>
Total U.S. Department of Health and Human Services—National Institute of Health				<u>1,443,729</u>
U.S. Department of Homeland Security:				
Emergency Power Generator/Infrastructure	97.039			<u>2,745,410</u>
Total U.S. Department of Homeland Security				<u>2,745,410</u>
Total Expenditures of Federal Awards				<u>4,189,139</u>

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal/State Agency, Pass-Through Entity, Federal Program/State Project	CFSA No.	Contract Grant Number	Total Expenditures
EXPENDITURES OF STATE FINANCIAL ASSISTANCE:			
State of Florida Department of Elder Affairs			
Direct Programs:			
Alzheimer Model Day Care and Memory Disorder Clinics and Alzheimer Special Projects			
Brain Bank	65.002	XZ-507/XZ-607	\$ 143,130
Memory Disorder	65.002	XZ-504/XZ-604	<u>255,754</u>
			<u>398,884</u>
Indirect Programs:			
Community Care Program for the Elderly Passed Through Alliance for Aging:			
Elderly House Call Program	65.009	KL-1559/KL-1659	165,422
Alzheimer's Caregivers Grant	65.004	KZ-1507/KZ-1607	<u>155,503</u>
			<u>320,925</u>
Total State of Florida Department of Elder Affairs			
State of Florida Department of Health			
OR Tower/Emergency Room Infrastructure	461A	2015-2016 Appropriations Act	4,000,000
Seawall	481A	2014-2015 Appropriations Act	<u>81,700</u>
			<u>4,081,700</u>
Total Expenditures of State Financial Assistance			
			<u>4,801,509</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 8,990,648</u>

See notes to supplemental schedule of expenditures of federal awards and state financial assistance.

(Concluded)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED DECEMBER 31, 2016

1. SCOPE OF AUDIT

The audits were performed under the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State of Florida Rules of the Auditor General Chapter 10.650 *State Single Audit Act Audits of Non-Profit and For-Profit Organizations*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—Mount Sinai Medical Center of Florida, Inc. and subsidiaries (the "Medical Center") records financial transactions for grants in numerous cost centers. Many of the federal programs and state financial assistance projects administered by the Medical Center follow fiscal periods other than the Medical Center's fiscal years. The majority of grant awards administered by the Medical Center are funded on a cost reimbursement basis. Various reimbursement procedures are used for funding to match expenditures made by the Medical Center for services provided under the grant agreement. Consequently, timing differences between expenditures and program reimbursements may exist.

Basis of Accounting—The accompanying supplemental schedule of expenditures of federal awards and state financial assistance is presented on the accrual basis of accounting. This is consistent with the basis of accounting used in the preparation of the basic consolidated financial statements.

The following is a reconciliation of the schedule of expenditures of federal awards and state financial assistance to the Medical Center's Financial Statements:

Current-year expenditures per Federal Grants Programs	\$ 1,443,729
Add:	
Prior-year general expenditures (see Note 3)	<u>2,745,410</u>
Total expenditures of federal awards per schedule	<u>\$ 4,189,139</u>
Current-year expenditures per State Financial Assistance Program	\$ 801,509
Add:	
Prior-year general expenditures (see Note 3)	<u>4,000,000</u>
Total expenditures of state financial assistance per schedule	<u>\$ 4,801,509</u>

3. GENERAL EXPENDITURES

Included in the Schedule of Expenditures of Federal Awards and State Financial Assistance are:

Expenditures for the Emergency Power Generator/Infrastructure program in the amount of \$2,745,410. These expenditures were paid and recorded in prior years by the Medical Center but were determined to be eligible for reimbursement by grant funds during fiscal year 2016.

Expenditures for the OR Tower/Emergency Room Infrastructure program in the amount of \$4,000,000. These expenditures were paid and recorded in prior years by the Medical Center but were determined to be eligible for reimbursement by grant funds during fiscal year 2016.

4. INDIRECT COST RATE

The Medical Center was awarded an indirect cost rate of 55 percent for federal grants.

* * * * *

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2016 and 2015, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2017, except for our report on Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

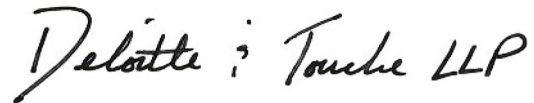
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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, 2017, except for our report on Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE FINANCIAL ASSISTANCE PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF FLORIDA RULES OF THE AUDITOR GENERAL, CHAPTER 10.650

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

Report on Compliance for Each Major Federal and State Program

We have audited Mount Sinai Medical Center of South Florida, Inc. and subsidiaries' (the "Medical Center's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Executive Office of the Governor's State Projects Compliance Supplement* that could have a direct and material effect on each of the Medical Center's major federal programs and state financial assistance programs for the year ended December 31, 2016. The Medical Center's major federal programs and state financial assistance programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, the requirements of laws, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state financial assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Medical Center's major federal programs and state financial assistance programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and the State of Florida Rules of the Auditor General, Chapter 10.650, *State Single Audit Act Audits of Non-Profit and For-Profit Organizations*. Those standards and the Uniform Guidance and State of Florida Rules of the Auditor General, Chapter 10.650, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance program occurred. An audit includes examining, on a test basis, evidence about the Medical Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance program. However, our audit does not provide a legal determination of the Medical Center's compliance.

Opinion on Each Major Federal and State Financial Assistance Program

In our opinion, the Medical Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance programs for the year ended December 31, 2016.

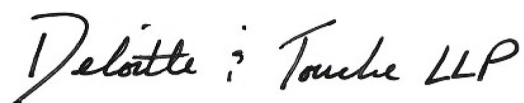
Report on Internal Control over Compliance

Management of the Medical Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Medical Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Florida Rules of the Auditor General, Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state financial assistance program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state financial assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and State of Florida Rules of the Auditor General, Chapter 10.650. Accordingly, this report is not suitable for any other purpose.



March 31, 2017, except for our report on Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017.

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance to GAAP:

Internal control over financial reporting:

		Unmodified		
Material weakness identified?	_____	Yes	_____	X No
Significant deficiencies identified?	_____	Yes	_____	X None reported
Noncompliance material to consolidated financial statements noted	_____	Yes	_____	X No

Federal Awards and State Financial Assistance

Internal control over major programs and projects:

		Unmodified		
Material weakness identified?	_____	Yes	_____	X No
Significant deficiencies identified?	_____	Yes	_____	X None reported

Type of auditors’ report issued on compliance for major programs:

		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and Chapter 10.654(1)(g)4 of the State of Florida Rules of the Auditor General?	_____	Yes	_____	X No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster Name
97.039	Emergency Generator/Infrastructure

Identification of major state financial assistance programs:

CSFA Number	Name of State Project
461A	OR Tower/Emergency Room Infrastructure
65.004	Alzheimer's Caregivers Grant

Dollar threshold used to distinguish between Type A and Type B federal programs \$ 750,000

Dollar threshold used to distinguish between Type A and Type B state programs \$ 300,000

Auditee qualified as low-risk auditee?	_____	X Yes	_____	No
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MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters are reportable.

**SECTION III—FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS AND
QUESTIONED COSTS**

No matters are reportable.

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No findings were noted in the prior year.

INDEPENDENT AUDITORS' MANAGEMENT LETTER PURSUANT TO SECTIONS 215.97(10)(F), AND 215.97(11)(D), FLORIDA STATUTES

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mount Sinai Medical Center of Florida, Inc. and subsidiaries (the "Medical Center"), as of and for the fiscal year ended December 31, 2016, and have issued our report thereon dated March 31, 2017, except for our report on Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.650, *State Single Audit Act Audits of Non-Profit and For-Profit Organizations*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Financial Assistance Program and Report on Internal Control Over Compliance Required by the Uniform Guidance, and State of Florida Rules of the Auditor General Chapter 10.650; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 31, 2017, except for our report on Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017, should be considered in conjunction with this management letter.

Other Matter

Section 10.654 (1) (e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state financial assistance program amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

In planning and performing our audit of the financial statements of the Medical Center as of and for the year ended December 31, 2016 (on which we have issued our report dated March 31, 2017, except for our report on Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017), in accordance with auditing standards generally accepted in the United States of America, we considered the Medical Center's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over financial reporting.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and federal and state awarding agencies, pass-through entities, the Board of Trustees, the Audit and Compliance Committee, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 31, 2017, except for our report on Schedule of Expenditures of Federal Awards and State Financial Assistance for which the date is May 31, 2017.