

Mount Sinai Medical Center of Florida, Inc. and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended December 31, 2023 and 2022,
Supplemental Divisional Information as of and
for the Year Ended December 31, 2023, and
Independent Auditor's 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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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2023 and 2022, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Medical Center as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Divisional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental divisional information listed in the table of contents is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and changes in net assets of the individual divisions and is not a required part of the financial statements. This supplemental divisional information is the responsibility of the Medical Center's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such supplemental divisional information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such supplemental divisional information is fairly stated in all material respects in relation to the 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 29, 2024 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 solely 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 the effectiveness of the Medical Center's 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.

Deloitte & Touche LLP

March 29, 2024

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023 AND 2022 (Amounts in thousands)

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 56,167	\$ 83,644
Investments	533,425	352,073
Patient accounts receivable	124,063	100,037
Other receivables	29,467	21,826
Due from third-party payors	15,964	5,470
Inventories	13,143	12,334
Prepaid and other assets	<u>13,381</u>	<u>16,679</u>
Total current assets	<u>785,610</u>	<u>592,063</u>
ASSETS WHOSE USE IS LIMITED:		
Funds held by trustee	111,800	153,318
Self-insurance trust fund	2,456	2,525
Other investments	16,469	550
Beneficial interest in perpetual trusts	5,891	5,382
Foundation restricted investments	<u>36,251</u>	<u>21,771</u>
Total assets whose use is limited	<u>172,867</u>	<u>183,546</u>
PROPERTY AND EQUIPMENT—Net	<u>468,069</u>	<u>399,502</u>
RECEIVABLE FOR INSURED CLAIMS	<u>6,045</u>	<u>5,939</u>
PLEDGES RECEIVABLES—Net	<u>174,052</u>	<u>153,258</u>
RIGHT OF USE FINANCING LEASE ASSETS	<u>4,607</u>	<u>8,311</u>
RIGHT OF USE OPERATING LEASE ASSETS	<u>5,735</u>	<u>8,191</u>
OTHER ASSETS	<u>17,965</u>	<u>11,833</u>
TOTAL	<u>\$ 1,634,950</u>	<u>\$ 1,362,643</u>

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023 AND 2022 (Amounts in thousands)

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 54,492	\$ 36,531
Accrued wages, salaries, and benefits	54,016	46,827
Other current liabilities	64,377	55,421
Due to third-party payors	24,091	20,308
Current portion of financing obligations	2,989	
Current portion of financing lease obligations	6,480	8,480
Current portion of operating lease obligations	2,343	2,563
Current portion of long-term debt	<u>10,435</u>	<u>10,240</u>
Total current liabilities	219,223	180,370
FINANCING OBLIGATIONS—Net of current portion	35,221	
FINANCING LEASE OBLIGATIONS—Net of current portion	2,831	9,260
OPERATING LEASE OBLIGATIONS—Net of current portion	3,966	6,310
LONG-TERM DEBT—Net of current portion	400,519	379,912
OTHER LONG-TERM LIABILITIES	10,874	4,602
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	<u>65,487</u>	<u>57,555</u>
Total liabilities	<u>738,121</u>	<u>638,009</u>
COMMITMENTS AND CONTINGENCIES (Note 18)		
NET ASSETS:		
Without donor restriction	655,424	521,960
With donor restriction	<u>241,405</u>	<u>202,674</u>
Total net assets	<u>896,829</u>	<u>724,634</u>
TOTAL	<u>\$ 1,634,950</u>	<u>\$ 1,362,643</u>

See notes to consolidated financial statements.

(Concluded)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (Amounts in thousands)

	2023	2022
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:		
Patient service revenue net of contractual allowances, discounts and deductions	\$ 882,203	\$ 763,165
Other revenue	60,302	53,331
Net assets released from restrictions for research, grants, and other	<u>23,958</u>	<u>18,457</u>
Total unrestricted revenues and other support	<u>966,463</u>	<u>834,953</u>
EXPENSES:		
Wages, salaries, and benefits	481,369	452,658
Supplies	185,618	157,998
Administrative and general	140,263	118,557
Malpractice and other insurance—net of recoveries	38,283	15,895
Depreciation	43,184	44,013
Interest	<u>13,078</u>	<u>13,549</u>
Total expenses	<u>901,795</u>	<u>802,670</u>
INCOME FROM OPERATIONS	<u>64,668</u>	<u>32,283</u>
OTHER INCOME:		
Investment income (loss)	48,701	(23,628)
Loss on extinguishment of debt	<u> </u>	<u>(35)</u>
Total other income (loss)	<u>48,701</u>	<u>(23,663)</u>
EXCESS OF REVENUES OVER EXPENSES	<u>113,369</u>	<u>8,620</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, 2023 AND 2022

(Amounts in thousands)

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenues over expenses	\$ 113,369	\$ 8,620
Net assets released from restrictions used for capital purposes	<u>20,095</u>	<u>9,668</u>
Increase in net assets without donor restrictions	<u>133,464</u>	<u>18,288</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Restricted contributions and grants	81,569	47,662
Net assets released from restrictions	(44,051)	(28,125)
Restricted investment income (loss)	<u>1,213</u>	<u>(672)</u>
Increase in net assets with donor restrictions	<u>38,731</u>	<u>18,865</u>
CHANGE IN NET ASSETS	172,195	37,153
NET ASSETS—Beginning of year	<u>724,634</u>	<u>687,481</u>
NET ASSETS—End of year	<u>\$ 896,829</u>	<u>\$ 724,634</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, 2023 AND 2022 (Amounts in thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 172,195	\$ 37,153
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,184	44,013
Accretion of bond premium and issue costs—net	(856)	(922)
Provision for uncollectible accounts	8,047	3,377
Loss on extinguishment of debt		35
Noncash lease expense	2,456	2,321
Gain on disposal of property, plant, and equipment	(37)	(7)
Restricted grants and contributions for capital purposes	(5,988)	(2,265)
Realized (gain) loss on sale of securities and change in net unrealized gains on investments—net	(31,840)	32,596
Changes in operating assets and liabilities:		
Change in operating lease liabilities	(2,564)	(2,395)
Increase in patient accounts receivable	(24,443)	(15,735)
Increase in pledges receivable	(31,742)	(17,598)
Increase in accrued interest receivable	(1,000)	
Increase in other receivables	(4,146)	(6,764)
(Increase) decrease in due from third-party payors	(10,494)	677
Increase in due to third-party payors	3,783	854
Decrease in contract liabilities		(41,531)
Increase in inventories	(809)	(799)
Decrease (increase) in prepaid and other current assets	3,298	(5,457)
Increase in other noncurrent assets	(6,132)	(962)
Increase in receivable for insured claims	(106)	(337)
Increase (decrease) in accounts payable and accrued expenses	13,957	(4,312)
Increase in accrued wages, salaries, and benefits	7,189	1,177
Increase in other current liabilities	8,967	5,394
Increase (decrease) in other long-term liabilities	6,272	(39)
Increase (decrease) in liability for self-insured claims	7,932	(1,921)
	157,123	26,553
Net cash provided by operating activities	157,123	26,553

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (Amounts in thousands)

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$(104,476)	\$ (35,088)
Proceeds from the sale of property and equipment	470	67
Proceeds from restricted grants and contributions for capital purposes	2,452	1,949
Purchases of investments	(373,486)	(181,920)
Proceeds from sales and maturities of investments	214,546	107,810
Assets whose use is limited—purchases of investments	(47,194)	(34,812)
Proceeds from sales and maturities of investments	<u>72,862</u>	<u>45,353</u>
Net cash used in investing activities	<u>(234,826)</u>	<u>(96,641)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing costs/bond defeasance costs	82	395
Proceeds from issuance of debt	31,816	63,980
Proceeds from financing obligations	38,184	
Restricted investment (income) loss	(1,213)	672
Repayment of long-term debt	(10,240)	(78,207)
Repayment of financing obligations	(3)	
Repayment of finance lease	<u>(8,400)</u>	<u>(8,340)</u>
Net cash provided (used in) by financing activities	<u>50,226</u>	<u>(21,500)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,477)	(91,588)
CASH AND CASH EQUIVALENTS, and RESTRICTED CASH—Beginning of year	<u>83,644</u>	<u>175,232</u>
CASH AND CASH EQUIVALENTS, and RESTRICTED CASH—End of year	<u>\$ 56,167</u>	<u>\$ 83,644</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest net of amounts capitalized of \$1,219 and \$499 in 2023 and 2022, respectively	<u>\$ 13,720</u>	<u>\$ 14,249</u>
Cash paid for interest on finance leases	<u>\$ 417</u>	<u>\$ 672</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of equipment through finance leases	<u>\$ -</u>	<u>\$ 2,125</u>
Acquisition of equipment through accounts payable and accrued expenses	<u>\$ 8,201</u>	<u>\$ 4,197</u>
Right of use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ 734</u>
Securities received in settlement of pledge receivables	<u>\$ 3,348</u>	<u>\$ 328</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, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Mount Sinai Medical Center Foundation, Inc.—The Mount Sinai Medical Center Foundation, Inc. (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.

Financial Statement Presentation—The consolidated financial statements of the Medical Center include the accounts of the Medical Center and its wholly owned subsidiaries, the Foundation, Mount Sinai Medical Center of Florida Guarantee Corporation, and various corporations that operate physician practices. All intercompany transactions are eliminated in consolidation.

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

Subsequent Events—In preparing these consolidated financial statements and in accordance with Accounting Standards Codification (“ASC”) 855, *Subsequent Events*, the Medical Center has evaluated the impact of all subsequent events through March 29, 2024, which is the date that these financial statements were issued and has determined that there were no subsequent events requiring adjustment to or disclosure in the financial statements.

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.

Pledges Receivable—Pledges receivable consist of unconditional donor promises to give at a certain date in the future and are solicited by the Foundation. Pledges receivable are recognized at net realizable value, which considers expected bad debt, as well as a present value discount for pledges that will not be collected within a year of the date of pledge. Pledges receivable include short-term and long-term portions based on the agreed upon payment dates associated with each specific pledge. Short-term pledge receivables are recorded in other receivables.

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 and all debt securities are stated at fair value in the consolidated balance sheet. Realized and unrealized gains and losses on investments, interest, and dividends are included in investment income, unless the income or loss is restricted by donor or law.

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

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

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

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

Foundation Restricted Investments—The Foundation maintains a portfolio of investments that are restricted for use, which consists primarily of mutual funds.

Beneficial Interests in Perpetual Trusts—Trusts in which the Foundation has the irrevocable right to receive the income earned on trust assets in perpetuity are recorded as net assets with donor restrictions at the fair values of the trusts on the date of receipt. The assets held in trusts consist primarily of cash equivalents and marketable securities. The fair values of perpetual trusts are measured using the fair value of the estimated future cash flows. Income distributions from the trusts are reported in other income, unless restricted by the donor. Changes in the fair values of the trusts are recorded as increases or decreases to net assets with donor restrictions.

Bond Issue Costs—Unamortized bond issue costs of approximately \$3.5 million and \$3.8 million as of December 31, 2023 and 2022, respectively, are included in long-term debt—net of current portion in the accompanying consolidated balance sheets. Bond issue costs incurred in obtaining long-term debt are being amortized by a method approximating the interest method over the life of the related debt. Amortization of the bond issue costs is included in interest expense in the accompanying consolidated statements of operations and changes in net assets.

Patient Service Revenue Net of Contractual Allowances, Discounts and Deductions—Patient service revenue net of contractual allowances, discounts and deductions is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Generally, the Medical Center bills its patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

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

Patient service revenue net of contractual allowances, discounts and deductions is described in Note 2 to the consolidated financial statements.

Other Revenue—Other revenue consists of cafeteria revenue, contract pharmacy revenue, rental income, other non-patient related revenues, and Foundation pledge revenue. Foundation pledge revenue relates to unrestricted donor pledges and contribution agreements during the year.

Charity Care—The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in patient service revenue net of contractual allowances, discounts and deductions. Charity care is described in Note 3 to the consolidated financial statements.

Donor-Restricted Grants and Contributions—Contributions, including unconditional promises to give cash and other assets, are recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of estimated write-offs. Promises made and collected in the same reporting period are recorded when received in the appropriate net asset category. Promises of noncash assets are recorded at their

estimated fair value. Conditional promises are recorded at the estimated fair value when donor stipulations are substantially met and the likelihood of not meeting the remaining conditions is remote.

Grants and pledges received with donor restrictions that limit the use of the donated assets are reported as restricted grants and contribution. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, restricted net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

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

Income from Operations—All activities of the Medical Center deemed by management to be ongoing and central to the provision of health care are reported as operating revenues and expenses. Other activities which are considered nonoperating include investment income and loss on extinguishment of debt.

Excess of Revenues over Expenses—The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include net assets released from restrictions used for capital purposes.

Self-Insurance Programs—The Medical Center is self-insured and retains a portion of the risk for certain employee health claims, workers' compensation claims, and professional liability claims. The provision for estimated self-insured claims is included in malpractice and other insurance expense and includes estimates of the ultimate costs for both asserted and unasserted claims. Self-insurance program costs related to workers' compensation and professional liability are more fully described in Notes 9 and 10, respectively, to the consolidated financial statements.

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

The Medical Center follows the provisions of ASC 740-15-2, *Income Taxes*, and has determined that as of December 31, 2023 and 2022, 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 2018 through 2023 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

New Accounting Pronouncements—In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 provides guidance regarding the treatment of expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is

effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of this standard had no impact on the Medical Center's financial statements.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820)—Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* ("ASU 2022-03"), clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in ASU 2022-03 are effective for fiscal years beginning after December 15, 2023, and interim periods therein, with early adoption permitted. The Medical Center has not determined the impact to its consolidated financial statements from the adoption of this standard.

2. PATIENT SERVICE REVENUE NET OF CONTRACTUAL ALLOWANCE, DISCOUNTS, AND DEDUCTIONS

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

Medicare—Medicare's reimbursement methodology is based on Medicare Severity Diagnostic Related Groups ("MS-DRGs"). Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge based on MS-DRGs. MS-DRG rates vary based on clinical diagnostic and other factors. Outpatient services rendered to Medicare beneficiaries are paid on a fee schedule under a Prospective Payment System based upon Ambulatory Patient Classification ("APC"). Under this system, each outpatient encounter could result in the assignment of multiple APC payments.

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

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

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

During 2023, the Medical Center recorded an increase to Medicare net patient revenue of approximately \$12.5 million for the impact of revaluations on open cost report years. During 2022, the Medical Center recorded a reduction to Medicare net patient revenue of approximately \$0.3 million for the impact of revaluations on open cost report years. During 2023 and 2022, there were no cost report settlements.

All Medicare cost report years subsequent to fiscal year 2009 remain open and subject to audit. Due to the uncertainty and significant estimates surrounding the ultimate acceptance of such matters by the fiscal intermediaries, management relies on historical experience and other assumptions believed to be reasonable under the circumstances in making its judgments and estimates of third-party balances at

year-end. As the Medical Center receives additional information, or as facts and circumstances change with respect to the unsettled cost reporting years, changes in estimates could significantly affect the results of operations of the Medical Center and are recorded in the period that such determinations are made. In 2023 and 2022, approximately 21% and 19% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, was for services to Medicare beneficiaries, respectively.

Medicaid—Approximately 3% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, for 2023 and 2022, was derived from the Medicaid program. Medicaid's reimbursement methodology for inpatient services is based on a prospective payment methodology utilizing All Patient Refined Diagnosis Related Groups ("APR-DRGs"). Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to certain cost and regional limits.

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

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

In 2023 and 2022, approximately 69% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, was for services to nongovernmental third-party payors.

Uninsured Patients—The Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Consistent with its mission, the Medical Center provides care to its patients regardless of their ability to pay. Historically, a significant portion of the Medical Center's uninsured patients will be unable to pay for the services provided. As such, the Medical Center records a significant reduction to patient service revenue for price concessions to uninsured patients and patients with other insured balances, such as copays and deductibles, in the period the services are provided.

The Medical Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. The implicit price concessions included in estimating the transaction price represent the difference between the amounts billed to the patient and the amounts the Medical Center expects to collect. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. In 2023 and 2022, approximately 7% and 9% of the Medical Center's patient service revenue, net of contractual allowances, discounts and deductions, was for services to uninsured patients, respectively.

The composition of the Medical Center's patient service revenue by payor, net of contractual allowances, discounts and deductions, recognized for the years ended December 31, 2023 and 2022, consisted of the following (amounts in thousands):

	2023	2022
Medicare	\$ 187,439	\$ 146,692
Managed care	609,616	524,303
Medicaid	26,333	22,097
Self-pay and other	<u>58,815</u>	<u>70,073</u>
Patient service revenue net of contractual allowances, discounts and deductions	<u>\$ 882,203</u>	<u>\$ 763,165</u>

The composition of the Medical Center's patient service revenue by primary service for the years ended December 31, 2023 and 2022, is summarized as follows

	2023	2022
Service lines:		
Hospital services	\$ 796,345	\$ 687,388
Physician services	85,424	75,777
Pace program services	<u>434</u>	<u> </u>
Patient service revenue net of contractual allowances, discounts and deductions	<u>\$ 882,203</u>	<u>\$ 763,165</u>

At December 31, 2023 and 2022, estimated implicit price concessions of \$79.8 million and \$57.9 million, respectively, had been recorded as reductions to the accounts receivable balance to enable the Medical Center to record revenues and accounts receivable at estimated amounts expected to be collected.

Amounts related to services provided to patients which do not meet the conditions of unconditional rights to payment at the end of the reporting period are contract assets. As of December 31, 2023, and 2022, the Medical Center did not have any contract assets.

During 2020, the Medical Center received approximately \$66.8 million of Medicare accelerated payments funding under the CARES Act. The funds provided under this program represented advances on payments for future goods or services to be provided to Medicare patients and were recorded as contract liabilities in the consolidated balance sheets. The liability was reduced over time as revenue is recognized for claims submitted for services provided after the recoupment period began.

The opening and closing balances of contract liabilities for the year ended December 31, 2023 and 2022, are as follows, in thousands:

	2023	2022
Contract liabilities, beginning of year	\$ -	\$ 41,531
Contract liabilities, end of year	<u> </u>	<u> </u>
Decrease in contract liabilities	<u>\$ -</u>	<u>\$ (41,531)</u>

During the year ended December 31, 2023 and 2022, the Medical Center recognized \$12.2 million and \$6.9 million, respectively, related to the Medicaid Directed Payment Program (“DPP”). This amount is included in net patient service revenue in the accompanying consolidated statement of operations.

The Medical Center received approximately \$16.0 million and \$5.5 million related to favorable settlements of outstanding disputes with third-party payors during the years ended December 31, 2023 and 2022, respectively. Third-party payor settlements are recorded as an adjustment to net patient service revenue when the disputes are settled and the cash settlements are received.

The combined effects for changes in estimate related to patient accounts receivable for the Company was approximately \$24.1 million and \$22.3 million for the years ended December 31, 2023 and 2022, respectively. The change is attributable to favorable payment experience from patients and third-party payors.

3. 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 400% 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 \$87.8 million and \$106.2 million in 2023 and 2022, respectively. Such services represented approximately 2.4% and 4.4% of the gross charges of the Medical Center in 2023 and 2022, respectively. The Medical Center’s estimated total cost of caring for patients that qualify fully or partially for charity care in 2023 was approximately \$26.5 million, of which \$4.7 million was related to services covered by third party payors. The Medical Center’s estimated total cost of caring for patients that qualify fully or partially for charity care in 2022 was approximately \$37.3 million, of which \$11.7 million was related to services covered by third party payors. The Medical Center received approximately \$1.5 million and \$3.3 million as reimbursement for these services for the years ended December 31, 2023 and 2022, respectively.

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 \$21.2 million and \$22.1 million for 2023 and 2022, respectively, and are reflected in patient service revenue net of contractual allowances, discounts and deductions. The total cost to provide other uncompensated care, excluding those patients that qualified for charity care, was approximately \$29.3 million and \$28.0 million for 2023 and 2022, 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.

4. LIQUIDITY AND AVAILABILITY

The following represents the Medical Center's financial assets available to meet general expenditures over the next twelve months at December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 56,167	\$ 83,644
Investments	533,425	352,073
Patient accounts receivable—net	124,063	100,037
Other receivables	29,183	21,826
Due from third-party payors	<u>15,964</u>	<u>5,470</u>
Total	<u>\$ 758,802</u>	<u>\$ 563,050</u>

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

5. INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited at December 31, 2023, are stated at fair value as follows:

	Investments	Assets Whose Use is Limited	Total
Cash and short-term investments	\$ -	\$ 130,632	\$ 130,632
Certificates of deposit	100,140		100,140
U.S. Treasury obligations	176,098		176,098
Corporate bonds	896		896
Mutual funds	58,895	35,657	94,552
Equities	195,869		195,869
Beneficial interest in perpetual trusts		5,891	5,891
Other	14	593	607
Interest receivable	<u>1,513</u>	<u>94</u>	<u>1,607</u>
Total	<u>\$ 533,425</u>	<u>\$ 172,867</u>	<u>\$ 706,292</u>

Investments and assets whose use is limited at December 31, 2022, are stated at fair value as follows:

	Investments	Assets Whose Use is Limited	Total
Cash and short-term investments	\$ -	\$ 156,321	\$ 156,321
Certificates of deposit	74,394		74,394
U.S. Treasury obligations	58,011		58,011
U.S. Agency obligations	2,660		2,660
Corporate bonds	8,616		8,616
Asset backed securities	3,743		3,743
Agency mortgaged-backed securities	13,014		13,014
Hedge funds	479		479
Municipal bonds	991		991
Mutual funds	39,144	21,171	60,315
Equities	150,495		150,495
Beneficial interest in perpetual trusts		5,382	5,382
Other	13	601	614
Interest receivable	<u>513</u>	<u>71</u>	<u>584</u>
Total	<u>\$ 352,073</u>	<u>\$ 183,546</u>	<u>\$ 535,619</u>

Funds held by trustee of approximately \$111.8 million and \$153.3 million as of December 31, 2023 and 2022, respectively, are presented as a component of assets whose use is limited in the consolidated balance sheets, respectively. Funds held by the trustee primarily relate to assets held in the bond construction fund accounts pursuant to the bond indenture agreement (see Note 7).

Investment income (loss), including gains and losses for assets whose use is limited, cash and cash equivalents, and investments, is included as a component of investment income in the consolidated statements of operations and changes in net assets. The components of investment income for the years ended December 31, 2023 and 2022, are composed of the following (amounts in thousands):

	2023	2022
Investment income (loss):		
Interest and dividend income	\$ 17,574	\$ 8,968
Net realized gain (loss) on sales of securities	898	(3,352)
Net unrealized gain (loss) on investments	<u>30,229</u>	<u>(29,244)</u>
Total	<u>\$ 48,701</u>	<u>\$ (23,628)</u>

6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 and 2022, are summarized as follows (amounts in thousands):

	2023	2022
Land and land improvements	\$ 56,209	\$ 24,130
Buildings and improvements	610,900	600,587
Equipment and software	<u>180,804</u>	<u>183,438</u>
Total	847,913	808,155
Less accumulated depreciation	<u>(451,200)</u>	<u>(429,584)</u>
Total	396,713	378,571
Construction in progress	<u>71,356</u>	<u>20,931</u>
Property and equipment—net	<u>\$ 468,069</u>	<u>\$ 399,502</u>

Depreciation expense for the years ended December 31, 2023 and 2022, amounted to approximately \$43.2 million and \$44.0 million, respectively. The estimated cost to complete construction in progress for 2023 and 2022 is approximately \$447.1 million and \$379.7 million, respectively. Interest capitalized during fiscal years 2023 and 2022 was approximately \$1.2 million and \$0.5 million, respectively.

During 2023 and 2022, the Medical Center incurred approximately \$6.0 million and \$2.3 million, respectively, for capital expenditures related to the hurricane preparedness programs and other grants that are expected to be reimbursed by grantors. Such amounts have been recorded as an increase in net assets without donor restrictions in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2023 and 2022.

7. LONG-TERM DEBT

Long-term debt and notes payable obligations as of December 31, 2023 and 2022, consisted of the following (amounts in thousands):

	2023	2022
Hospital Revenue Refunding Bonds, Series 2021—inclusive of net unamortized issuance costs of \$246 and \$269 at December 31, 2023 and 2022, respectively	\$ 31,529	\$ 31,506
Hospital Revenue Refunding Bonds, Series 2022—inclusive of net unamortized issuance costs of \$338 and \$395 at December 31, 2023 and 2022, respectively	54,872	63,585
Hospital Revenue Refunding Bonds, Series 2021-B—inclusive of net unamortized premium of \$18,128 and \$18,772 and net unamortized issuance costs of \$1,669 and \$1,742 at December 31, 2023 and 2022, respectively	159,368	159,880
Hospital Revenue Refunding Bonds, Series 2014—inclusive of net unamortized premium of \$6,448 and \$6,857 and net unamortized issuance costs of \$1,259 and \$1,326 at December 31, 2023 and 2022, respectively	133,369	135,181
Promissory notes with interest rate of 5.18% at December 31, 2023	11,816	
Term loan	<u>20,000</u>	<u> </u>
Total long-term debt	410,954	390,152
Less current portion	<u>10,435</u>	<u>10,240</u>
Long-term debt-net of current portion	<u>\$ 400,519</u>	<u>\$ 379,912</u>

On October 26, 2023, the Medical Center, entered into a taxable Term Loan with Bank of America N.A. available in multiple principal draws with a total borrowing capacity of \$50 million at 6.11% interest rate. Interest payments are to be made on a monthly basis on the outstanding loan amount. Principal payment of \$50 million will be due on September 30, 2030. As of December 31, 2023, the total principal draw was for \$20 million.

On December 14, 2023, the Medical Center, entered into an \$11.8 million loan agreement with Banc of America Leasing & Capital, LLC. The promissory note borrowed under this agreement will be collateralized by various capital equipment owned by the Medical Center. The note bears interest at 5.19%, payable monthly, commencing on January 15, 2024. The proceeds from the note are classified as other investments within assets whose use is limited on the Medical Center’s consolidated balance sheet.

On November 15, 2022, 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”), \$63,980,000 of its Hospital Revenue Refunding Bonds, Series 2022 (the “Series 2022 Bonds”). The Series 2022 Bonds were issued as fully registered bonds and bear interest at a fixed rate of 1.43%, payable quarterly on February 15, May 15, August 15 and November 15, commencing February 15, 2023. The Series 2022 Bonds were issued to refund and

replace the Series 2021 Term Loan. The Series 2021 Term Loan along with other available funds were used to advance refund a portion of the then outstanding principal of the Series 2012 Bonds.

On September 21, 2021, the Obligated Group issued, through the Authority, \$142,910,000 of its Hospital Revenue Refunding Bonds, Series 2021-B (the "Series 2021B Bonds"). The Series 2021B Bonds were issued as fully registered bonds and bear interest at fixed rates ranging from 3.0% to 5.0%, payable semiannually on May 15 and November 15, commencing November 15, 2021. The proceeds from the sale of the Series 2021B Bonds will be used, together with other available funds, to (i) finance or reimburse the Medical Center for the cost of new capital improvements and capital expenditures at the Medical Center's main campus on Miami Beach, (ii) pay a portion of the interest to accrue on the Series 2021B Bonds, and (iii) fund certain expenses in connection with the issuance of the Series 2021B Bonds.

On February 25, 2021, the Obligated Group issued, through the City of Miami Beach Health Facilities Authority (the "Authority"), \$31,775,000 of its Hospital Revenue Refunding Bonds, Series 2021 (the "Series 2021 Bonds"). The Series 2021 Bonds were issued as fully registered bonds and bear interest at a fixed rate of 1.95%, payable quarterly commencing May 15, 2021. The proceeds from the sale of the Series 2021 Bonds were used, together with other available funds, to (i) refund and redeem \$31,415,000 in outstanding principal of the Authority's Hospital Revenue Refunding Bonds, Series 2014 Bonds (the "Series 2014 Bonds"), maturing on November 15, 2034, and (ii) pay certain expenses in connection with the issuance of the Series 2021 Bonds.

On September 4, 2014, the Obligated Group issued \$170,895,000 of 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.

All outstanding 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.

Under the Amended and Restated Master Trust Indenture dated December 1, 1998 and the Supplementary Master Trust Indenture for Obligation No. 9, Obligation No. 10, Obligation No. 14, Obligation No. 16, and Obligation No. 17 dated, September 1, 2012, September 1, 2014, November 15, 2022, September 1, 2021, and October 26, 2023 respectively, the Obligated Group is subject to certain covenants.

As of December 31, 2023, the scheduled principal repayments on long-term debt and notes payable obligations for the next five years and thereafter are as follows (amounts in thousands):

Years Ending December 31	Revenue Bonds
2024	\$ 10,435
2025	12,354
2026	12,656
2027	12,957
2028	13,278
Thereafter	<u>328,211</u>
Total	389,891
Unamortized bond premium	24,576
Unamortized issuance cost	<u>(3,513)</u>
Total	<u>\$ 410,954</u>

8. LEASES

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

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

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

Lease terms include the non-cancellable period of the lease including any additional periods covered by an extension of the lease or an early termination that are reasonably certain to be exercised. Generally, the Medical Center cannot be reasonably certain about whether or not it will renew a lease until such

time as the lease is up for renewal. When the Medical Center is reasonably certain that a renewal option will be exercised, it measures the right-of-use asset and related lease liability using the lease payments specified for the renewal period.

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

As of December 31, 2023, and 2022, the Medical Center held equipment under financing lease obligation of approximately \$54.7 million and \$58.6 million, respectively, before accumulated depreciation. Accumulated depreciation for equipment under financing lease obligation was approximately \$50.1 million and \$50.3 million as of December 31, 2023 and 2022, respectively.

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

Years Ending December 31	Finance	Operating	Total
2024	\$6,480	\$2,475	\$ 8,955
2025	2,028	1,864	3,892
2026	445	1,361	1,806
2027	422	669	1,091
2028	<u> </u>	<u>201</u>	<u>201</u>
Total undiscounted cash flows	9,375	6,570	15,945
Less present value discount	<u>(64)</u>	<u>(261)</u>	<u>(325)</u>
Total lease liabilities	<u>\$9,311</u>	<u>\$6,309</u>	<u>\$15,620</u>

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

Supplemental lease activity at or for the twelve months ended December 31, 2023 and 2022 is as follows (amounts in thousands):

Description	2023	2022
Lease expense:		
Finance lease expense:		
Amortization of ROU assets—finance leases	\$ 3,468	\$ 4,162
Interest on lease liabilities—finance leases	417	672
Operating lease expense	2,614	2,571
Short-term lease expense	722	609
Variable lease expense	<u>786</u>	<u>703</u>
 Total lease cost	 <u>\$ 8,007</u>	 <u>\$ 8,717</u>
 Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 413	\$ 672
Financing cash flows from finance leases	8,400	8,340
Operating cash flows from operating leases	2,720	2,395
New ROU assets—operating leases		734
New ROU assets—finance leases		2,125
Weighted average lease term—finance leases	0.31 yrs	2.29 yrs
Weighted average lease term—operating leases	3.09 yrs	3.83 yrs
Weighted average discount rate—finance leases	0.53%	3.22%
Weighted average discount rate—operating leases	3.11%	2.62%

Financing Obligations—On May 15, 2023 and June 8, 2023, the Medical Center entered into two lease agreements with Banc of America Leasing & Capital, LLC (“the lessor”) for \$22.3 million and \$15.9 million, respectively, in which the Medical Center sold and concurrently leased back various capital equipment. The transactions are deemed to be a failed sale-leaseback under ASC 842, *Leases*, since the Medical Center retains control and ownership over the property while making monthly lease payments. As a result of this determination, the Medical Center is viewed as having the sale proceeds from the lessor in the form of a loan collateralized by various capital equipment. The collateralized loans bear an interest rate of 5% and are payable as principal and interest in the form of monthly “lease payments” to the lessor. As such, the Medical Center will not derecognize the property from its books for accounting purposes. The assets remain classified as property and equipment on the Medical Center’s consolidated balance sheet and continue to be depreciated over their estimated useful lives. No gain or loss was recognized under GAAP related to the transaction. As of December 31, 2023, \$3.0 million is classified as financing obligations—current and \$35.2 million is classified as financing obligations—net of current portion in the Medical Center’s consolidated balance sheets.

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

Years Ending December 31	Financing Obligations
2024	\$ 5,002
2025	6,495
2026	6,495
2027	6,495
2028	6,495
Thereafter	<u>15,433</u>
Total financing obligation payments	46,415
Less imputed interest	<u>(8,211)</u>
Total financing obligations	<u>\$ 38,204</u>

Rental Income—The Medical Center has a 50-year land lease agreement with Landmark which commenced in 2007. Pursuant to this lease agreement, as of December 31, 2023, and 2022, the Medical Center recognized income from leased office space and land to independent physicians, medical practices, and service providers of approximately \$3.3 million and \$3.3 million, respectively.

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

Years Ending December 31	
2024	\$ 1,495
2025	1,360
2026	594
2027	474
2028	351
Thereafter	<u>8,088</u>
Total	<u>\$ 12,362</u>

9. WORKERS' COMPENSATION

The Medical Center is self-insured for workers' compensation claims. The costs of such claims are paid by the Medical Center; however, the Medical Center has commercial insurance coverage on a per occurrence basis in excess of \$500,000 self-insured retention with no aggregate limit. The Medical Center has a restricted fixed deposit investment of \$341,000 and \$340,000 as of December 31, 2023 and 2022 as collateral for its workers' compensation claims. The Medical Center has accrued a discounted liability of approximately \$8.8 million and \$10.2 million as of December 31, 2023 and 2022, 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, 2023, and 2022, \$3.0 million and \$3.5 million is classified as other current liabilities and \$5.7 million and \$6.7 million is classified as liability for self-insured claims in the Medical Center's consolidated balance sheets, respectively. The undiscounted liability was \$9.3 million and \$10.8 million at December 31, 2023 and 2022, 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 2.0% in 2023 and 2022. Workers' compensation losses and loss adjustment expenses in the consolidated statements of operations and changes in net assets for 2023 and 2022 were approximately \$1.3 million and \$3.8 million, respectively, and are included in malpractice and other insurance—net of recoveries. Recoveries in 2023 and 2022 were not material to the consolidated financial statements.

During 2023 and 2022, the Medical Center recorded a \$2.0 million decrease and a \$0.9 million increase, respectively, to workers compensation insurance expense in the accompanying consolidated statements of operations and changes in net assets due to a change in estimate resulting from favorable and unfavorable development and settlements of historical outstanding workers' compensation claims.

10. PROFESSIONAL LIABILITY PROGRAM

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

The Medical Center has a professional liability policy, which provides coverage for all medical malpractice claims reported to the insurance carrier during the policy term. In February 2004, the Medical Center created a wholly owned captive, Mount Sinai Medical Center of Florida Guarantee Corporation, a Cayman-based company, to gain direct access to the reinsurance markets for the Medical Center's professional liability program. The Medical Center's program fixes the Medical Center's self-insurance retention for professional and general liability at \$7.5 million and \$5 million per incident, respectively, with no aggregate limit per year. As of December 31, 2023, and 2022, the Medical Center is also responsible for any claim in excess of \$60 million with no aggregate limit per year.

Management estimates the liabilities associated with professional liability risks. As a component of this process, management obtains an opinion from an independent actuary as to the estimated liability for both asserted and unasserted claims not covered by insurance. The actuary estimates the liability using a mix of industry experience and the actual malpractice loss experience of the Medical Center as reported under the Medical Center's risk management system. The estimated liability for self-insured claims has been discounted over the expected payout period using a discount rate of 2.0% for 2023 and 2022. At December 31, 2023 and 2022, the Medical Center recorded discounted professional liability

reserves of approximately \$90.9 million and \$76.7 million and a corresponding receivable related to expected reinsurance recoveries in the amount of approximately \$9.2 million and \$8.9 million in 2023 and 2022, respectively. Approximately \$31.2 million and \$25.8 million is included in other current liabilities and \$59.7 million and \$50.9 million in liability for self-insured claims—net of current portion in the accompanying consolidated balance sheets as of December 31, 2023 and 2022, respectively. Approximately \$3.1 million of the corresponding receivable is classified as prepaid and other assets in the accompanying consolidated balance sheets at December 31, 2023 and 2022.

During 2023 and 2022, respectively, the Medical Center recorded a \$3.4 million increase and \$13.6 million decrease, respectively, to malpractice and other insurance expense in the accompanying consolidated statements of operations and changes in net assets due to a change in estimate resulting from unfavorable and favorable development and settlements of historical outstanding professional liability 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 \$16.0 million and \$17.1 million in 2023 and 2022, respectively.

11. CONCENTRATION OF CREDIT RISK

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

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors as of December 31, 2023 and 2022, was as follows:

	2023	2022
Medicare	10 %	9 %
Medicaid	4	4
Managed care	84	83
Other third-party payors	1	1
Self-pay	<u>1</u>	<u>3</u>
Total	<u>100 %</u>	<u>100 %</u>

12. RETIREMENT PLAN

During 2000, the Medical Center established a defined contribution plan with employer matching based on each employee’s contributions and years of service. Employees are eligible for participation upon their employment. Vesting in the plan is based upon years of service. Total employer expense for the years ended December 31, 2023 and 2022, amounted to approximately \$5.5 million and \$5 million, respectively.

13. INDIGENT CARE ASSESSMENT

The Health Care Consumer Protection and Awareness Act of 1984 (the “Act”) created a fund to provide for the treatment of indigent patients. Hospitals in the state of Florida are required to deposit into the fund an amount equal to 1.5% of net inpatient and 1% of net outpatient revenue. The Act specifies that

payments will be due in quarterly installments beginning approximately six months after the Medical Center's year-end. As of December 31, 2023, and 2022, the Medical Center had accrued indigent care assessment liabilities of approximately \$10.7 million and \$9.4 million, respectively. Approximately \$6.1 million and \$5.7 million is included in other current liabilities and approximately \$4.6 million and \$3.7 million is included in other long-term liabilities in the accompanying consolidated balance sheet at December 31, 2023 and 2022, respectively. This liability relates to the estimated current reporting period plus any unpaid amounts from the preceding fiscal year(s).

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by the Medical Center has been limited by donors to a specific time period or purpose. Net assets with donor restrictions are principally held by the Foundation and have been donated for multiple programs and initiatives at the Medical Center principally related to furthering the advancement of patient care. Net assets with donor restrictions were approximately \$241.4 million and \$202.7 million as of December 31, 2023 and 2022, respectively.

The Foundation's endowment consists of approximately 51 and 49 individual funds established for a variety of purposes as of December 31, 2023 and 2022, respectively. 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, 2023 and 2022, is composed of the following (in thousands):

	Endowment Net Asset Composition by Fund Type	
	2023	2022
Alzheimer's program	\$ 3,365	\$ 3,865
MSMC 50 years (Surgical Tower and Emergency Dept.)	68,793	74,169
Hematology & Oncology	2,307	
RAD Center for Cancer Genetics	10,134	
Labor & delivery	10,845	11,824
Surgical oncology	2,221	2,584
Witkoff Center	10,016	10,004
Ambulatory Center	8,003	8,000
Behavioral health	5,016	5,006
Cancer Center Tower	59,613	7,534
Other programs	<u>16,732</u>	<u>17,682</u>
Total funds	<u>\$ 197,045</u>	<u>\$ 140,668</u>

Changes in endowment net assets for the year ended December 31, 2023, is as follows:

	2023
Change in endowment net assets:	
Endowment net assets, beginning of year	\$ 140,668
Contributions	76,722
Appropriation of endowment for expenditure	(15,386)
Investment income	704
Amounts used for expenditures	(1,145)
Present value allowance adjustments	<u>(4,518)</u>
Endowment net assets, end of year	<u>\$ 197,045</u>

Changes in endowment net assets for the year ended December 31, 2022, is as follows:

	2022
Change in endowment net assets:	
Endowment net assets, beginning of year	\$ 120,740
Contributions	30,216
Appropriation of endowment for expenditure	(9,022)
Investment income	476
Amounts used for expenditures	(842)
Present value allowance adjustments	<u>(900)</u>
Endowment net assets, end of year	<u>\$ 140,668</u>

15. FUNCTIONAL EXPENSES

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

Expenses related to providing these services for the years ended December 31, 2023, are as follows (amounts in thousands):

	Health Care Services	General and Administrative	Research	Total
Wages, salaries and benefits	\$ 331,780	\$ 145,224	\$ 4,365	\$ 481,369
Supplies	176,691	7,909	1,018	185,618
General and administrative	41,763	97,507	993	140,263
Malpractice and other insurance—net of recoveries	30,217	8,038	28	38,283
Depreciation and amortization	29,945	13,196	43	43,184
Interest expense	<u>9,158</u>	<u>3,907</u>	<u>13</u>	<u>13,078</u>
Total expenses	<u>\$ 619,554</u>	<u>\$ 275,781</u>	<u>\$ 6,460</u>	<u>\$ 901,795</u>

Expenses related to providing these services for the years ended December 31, 2022, are as follows (amounts in thousands):

	Health Care Services	General and Administrative	Research	Total
Wages, salaries and benefits	\$ 301,071	\$ 147,666	\$ 3,921	\$ 452,658
Supplies	149,757	7,530	711	157,998
General and administrative Malpractice and other insurance—net of recoveries	38,238	78,807	1,512	118,557
Depreciation and amortization	12,767	3,116	12	15,895
Interest expense	29,877	14,086	50	44,013
	<u>9,281</u>	<u>4,252</u>	<u>16</u>	<u>13,549</u>
Total expenses	<u>\$ 540,991</u>	<u>\$ 255,457</u>	<u>\$ 6,222</u>	<u>\$ 802,670</u>

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

16. JOINT VENTURE INVESTMENTS

Mount Sinai Medical Center has a joint venture in Dimension Health, Inc., a hospital member only PPO, with an ownership interest of 50% as of December 31, 2023 and 2022. This joint venture was established in 1985 and it provides PPO network access to insurance companies. It is accounted for under the equity method, as the Medical Center does not have a controlling interest. The Medical Center's investment in the joint venture, which is recorded in other assets in the consolidated financial statements, was approximately \$0.6 million as of December 31, 2023 and \$0.7 million as of December 31, 2022, respectively.

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

The Medical Center paid approximately \$2.3 million for its initial membership interest and has accounted for its interest in the joint venture under the equity method of accounting. As of December 31, 2023, and 2022, the Medical Center's investment in the joint venture is reflected in other assets in the consolidated financial statements at \$0.

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

this option. Management of the Medical Center has concluded that the fair market value of this option is not material to the consolidated financial statements and has not recorded any value for the option as of December 31, 2023 and 2022.

During 2012, the Medical Center entered into an affiliation with Miami Jewish Health System for the operations of the Miami Jewish Home Health Agency LLC. This partnership composed of a 50%-50% membership interest. This agreement called for an initial investment of \$425,000 in 2013 by each member. An additional investment of \$250,000 was paid in 2015. Profits and losses are shared among the members in accordance with their percentage ownership. During 2023 and 2022, the partnership made capital distributions to the members totaling \$1.6 million and \$1.1 million, respectively. As of December 31, 2023, and 2022, the Medical Center's investment in the joint venture is recorded in other assets in the consolidated financial statements at \$2.7 million and \$1.7 million, respectively.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Transfers between levels occur when there are changes in the determination of whether inputs are observable or not, as well as due to changes in market activity. There were no changes to level classifications for securities held at December 31, 2023 and 2022.

The disclosure of fair value measurements as of December 31, 2023, is as follows (amounts in thousands):

Description	Fair Value Measurement at Reporting Date			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments in fair value hierarchy:				
Cash and short-term investments	\$130,632	\$ -	\$ -	\$130,632
Certificate of deposits		100,140		100,140
U.S. Treasury obligations		176,098		176,098
Corporate bonds		896		896
Mutual funds	94,552			94,552
Equities	195,869			195,869
Beneficial interest in perpetual trusts			5,891	5,891
Other		14	593	607
Interest receivable	<u>1,513</u>	<u>94</u>		<u>1,607</u>
Total investments in fair value hierarchy	<u>422,566</u>	<u>277,242</u>	<u>6,484</u>	<u>706,292</u>
Total	<u>\$422,566</u>	<u>\$277,242</u>	<u>\$6,484</u>	<u>\$706,292</u>

The disclosure of fair value measurements as of December 31, 2022, is as follows (amounts in thousands):

Description	Fair Value Measurement at Reporting Date			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments in fair value hierarchy:				
Cash and short-term investments	\$156,321	\$ -	\$ -	\$156,321
Certificate of deposits		74,394		74,394
U.S. Treasury obligations		58,011		58,011
U.S. Agency obligations		2,660		2,660
Corporate bonds		8,616		8,616
Asset backed securities		3,743		3,743
Agency mortgaged-backed securities		13,014		13,014
Municipal bonds		991		991
Mutual funds	60,315			60,315
Equities	150,495			150,495
Beneficial interest in perpetual trusts			5,382	5,382
Other		13	601	614
Interest receivable	513	71		584
Total investments in fair value hierarchy	367,644	161,513	5,983	535,140
Investments measured at net asset value— Hedge funds				479
Total	<u>\$367,644</u>	<u>\$161,513</u>	<u>\$5,983</u>	<u>\$535,619</u>

Hedge funds, which can be redeemed at net asset value daily, are excluded from the fair value hierarchy because their fair value is recorded using the net asset value per share, or its equivalent, as a practical expedient.

The Foundation maintains a beneficial interest in perpetual trusts. The fair value of a perpetual trust held by a third party generally can be measured using the fair value of the assets contributed to the trust. The Medical Center accounted for the beneficial interest in the perpetual trust using the fair value of the trust assets multiplied by its ownership interest percentage as the Medical Center holds an irrevocable right to its portion of future cash flows. As such, the Medical Center records their interest in the trust as a Level 3 investment.

The following table reconciles the beginning and ending balance of the Medical Center’s Level 3 Investments for the years ended December 31, 2023 and 2022, are as follows (amounts in thousands):

	2023	2022
Fair value, beginning of year	\$5,983	\$ 7,131
Change in fair value	<u>501</u>	<u>(1,148)</u>
Fair value, end of year	<u>\$6,484</u>	<u>\$ 5,983</u>

18. COMMITMENTS AND CONTINGENCIES

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

In October 2009, the Medical Center entered into an agreement with the State of Florida under its Community Workforce Housing Innovation Pilot program (“CWHIP”) to assist the Medical Center in covering the construction costs of the renovation of the Lowenstein building. The CWHIP program was created to provide affordable rental and home ownership community workforce housing for essential services personnel affected by the high cost of housing using regulatory incentives and state and local funds to promote local public-private partnerships and leverage government and private resources. Under the program, the Medical Center entered into a forgivable loan agreement with the Florida Housing Finance Corporation to provide a construction loan with a principal amount of \$3.3 million, which upon compliance with the terms of the land use restriction would be completely forgiven on November 1, 2059. At December 31, 2023, management believes that it is fully compliant with terms of the agreement; as such no amounts are recorded as a liability.

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. Government regulators regularly initiate and actively pursue investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Management believes that the Medical Center has an effective compliance program in place to assist management in complying with current laws and regulations.

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SUPPLEMENTAL DIVISIONAL INFORMATION

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUPPLEMENTAL DIVISIONAL BALANCE SHEET INFORMATION AS OF DECEMBER 31, 2023

	Hospital (Core)	Other Health Care Services Division, Foundation & Eliminations	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 48,655	\$ 7,512	\$ 56,167
Investments	293,366	240,059	533,425
Patient accounts receivable—net	123,942	121	124,063
Other receivables	4,559	24,908	29,467
Due from third-party payors	15,964		15,964
Inventories	13,143		13,143
Prepaid and other assets	13,381		13,381
	<u>513,010</u>	<u>272,600</u>	<u>785,610</u>
ASSETS WHOSE USE IS LIMITED:			
Funds held by trustee	111,800		111,800
Self-insurance trust fund	2,456		2,456
Other investments	16,469		16,469
Beneficial interest in perpetual trusts		5,891	5,891
Foundation restricted investments		36,251	36,251
	<u>130,725</u>	<u>42,142</u>	<u>172,867</u>
PROPERTY, PLANT, AND EQUIPMENT—Net	<u>455,630</u>	<u>12,439</u>	<u>468,069</u>
RECEIVABLE FOR INSURED CLAIMS	<u>6,045</u>		<u>6,045</u>
PLEDGES RECEIVABLE—Net		<u>174,052</u>	<u>174,052</u>
RIGHT OF USE FINANCING LEASE ASSETS	<u>4,607</u>		<u>4,607</u>
RIGHT OF USE OPERATING LEASE ASSETS	<u>5,735</u>		<u>5,735</u>
OTHER ASSETS	<u>9,321</u>	<u>8,644</u>	<u>17,965</u>
TOTAL ASSETS	<u>\$ 1,125,073</u>	<u>\$ 509,877</u>	<u>\$ 1,634,950</u>

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUPPLEMENTAL DIVISIONAL BALANCE SHEET INFORMATION AS OF DECEMBER 31, 2023

	Hospital (Core)	Other Health Care Services Division, Foundation & Eliminations	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 53,959	\$ 533	\$ 54,492
Accrued wages, salaries and benefits	54,016		54,016
Other current liabilities	64,335	42	64,377
Due to third-party payors	24,091		24,091
Current portion of financing obligations	2,989		2,989
Current portion of financing lease obligations	6,480		6,480
Current portion of operating lease obligations	2,343		2,343
Current portion of long-term debt	10,435		10,435
	<u>218,648</u>	<u>575</u>	<u>219,223</u>
Total current liabilities	218,648	575	219,223
FINANCING OBLIGATIONS—Net of current portion	35,221		35,221
FINANCING LEASE OBLIGATIONS—Net of current portion	2,831		2,831
OPERATING LEASE OBLIGATIONS—Net of current portion	3,966		3,966
LONG TERM DEBT—Net of current portion	400,519		400,519
OTHER LONG-TERM LIABILITIES	10,874		10,874
LIABILITY FOR SELF-INSURED CLAIMS—Net of current portion	65,487		65,487
	<u>737,546</u>	<u>575</u>	<u>738,121</u>
Total liabilities	737,546	575	738,121
NET ASSETS:			
Without donor restriction	387,527	267,897	655,424
With donor restriction		241,405	241,405
	<u>387,527</u>	<u>509,302</u>	<u>896,829</u>
Total net assets	387,527	509,302	896,829
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,125,073</u>	<u>\$ 509,877</u>	<u>\$ 1,634,950</u>

(Concluded)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUPPLEMENTAL DIVISIONAL STATEMENT OF OPERATIONS INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2023

	Hospital Division	Other Health Care Services Division, Foundation & Eliminations	Total
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:			
Patient service revenue net of contractual allowances, discounts and deductions	\$ 881,768	\$ 435	\$ 882,203
Other revenue	45,430	14,872	60,302
Net assets released from restrictions for research, grants, and other		23,958	23,958
Total unrestricted revenues, gains, and other support	<u>927,198</u>	<u>39,265</u>	<u>966,463</u>
EXPENSES:			
Wages, salaries, and benefits	470,592	10,777	481,369
Supplies	181,307	4,311	185,618
Administrative and general	130,014	10,249	140,263
Malpractice and other insurance—net of recoveries	38,281	2	38,283
Depreciation	42,013	1,171	43,184
Interest	13,078		13,078
Total expenses	<u>875,285</u>	<u>26,510</u>	<u>901,795</u>
INCOME FROM OPERATIONS	<u>51,913</u>	<u>12,755</u>	<u>64,668</u>
OTHER INCOME:			
Investment income	<u>15,676</u>	<u>33,025</u>	<u>48,701</u>
Total other income	<u>15,676</u>	<u>33,025</u>	<u>48,701</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 67,589</u>	<u>\$ 45,780</u>	<u>\$ 113,369</u>

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUPPLEMENTAL DIVISIONAL BALANCE SHEET, RESULTS OF OPERATIONS AND CHANGES IN NET ASSETS AS OF DECEMBER 31, 2023 AND 2022 OF THE FOUNDATION

	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 7,173	\$ 5,794
Pledges receivable—net	166,464	139,840
Receivables under contribution agreements—net	28,154	30,921
Beneficial interest in perpetual trusts	5,891	5,382
Investments	276,311	207,253
Prepaid expenses and other assets	8,639	8,482
Due from the Medical Center	<u> </u>	<u> </u>
 TOTAL ASSETS	 <u>\$ 492,632</u>	 <u>\$ 397,672</u>
 TOTAL LIABILITIES	 <u>\$ 652</u>	 <u>\$ 2,522</u>
 NET ASSETS:		
Without donor restriction	250,575	192,476
With donor restriction	<u>241,405</u>	<u>202,674</u>
 Total net assets	 <u>491,980</u>	 <u>395,150</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 492,632</u>	 <u>\$ 397,672</u>

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUPPLEMENTAL DIVISIONAL BALANCE SHEET, RESULTS OF OPERATIONS AND CHANGES IN NET ASSETS AS OF DECEMBER 31, 2023 AND 2022 OF THE FOUNDATION

	2023	2022
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:		
Contribution revenues—amounts raised	\$ 2,862	\$ 3,071
Net assets released from restrictions	<u>35,109</u>	<u>22,106</u>
Total unrestricted revenues, gains, and other support	<u>37,971</u>	<u>25,177</u>
EXPENSES:		
Operating expenses	<u>11,738</u>	<u>5,786</u>
Total expenses	<u>11,738</u>	<u>5,786</u>
INCOME FROM OPERATIONS	26,233	19,391
INVESTMENT INCOME (LOSS)	<u>33,025</u>	<u>(23,694)</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	<u>59,258</u>	<u>(4,303)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenues over expenses	59,258	(4,303)
Transfers to the Medical Center	(16,545)	(9,887)
Equity transaction with the Medical Center	<u>15,386</u>	<u>9,022</u>
Increase (Decrease) in net assets without donor restrictions	<u>58,099</u>	<u>(5,168)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Restricted investment income (loss)	1,213	(672)
Restricted contributions and grants	72,627	41,643
Net assets released from restriction	<u>(35,109)</u>	<u>(22,106)</u>
Increase in net assets with donor restrictions	<u>38,731</u>	<u>18,865</u>
CHANGE IN NET ASSETS	96,830	13,697
NET ASSETS—January 1	<u>395,150</u>	<u>381,453</u>
NET ASSETS—December 31	<u>\$ 491,980</u>	<u>\$ 395,150</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, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number/Contract Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
EXPENDITURES OF FEDERAL AWARDS—				
U.S. Department of Homeland Security				
Passed Through The State of Florida				
COVID-19 Florida Department of Emergency Management (FDEM)	97.036	Z2214	\$ -	\$ 7,202,771
Hazard Mitigation Grant Programs:				
MSOP Hardening	97.039	H0536		3,297,983
Aventura Hardening	97.039	H0537		30,207
			-	3,328,190
			-	10,530,961
Total U.S. Department of Homeland Security				
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	UH3AT009149		123
Research and Training in Complementary and Alternative Medicine Trial to Assess Chelation Therapy				
	93.213	R01AT009273		163,341
Indirect programs:				
Passed Through Duke University:				
TACT2-Duke Supplement	93.213	SUB303000304		290,536
Passed Through The Trustees of Columbia University:				
Columbia University Minority	93.399	2/GG013657-06		9,027
Passed Through University of Florida (UF):				
Florida ADRC Clinical Core	93.866	SUB00003296		439,363
Florida ADRC Clinical Core	93.866	SUB00003835		468,527
Passed Through University of Miami:				
UM-ANCCS	93.866	SPC-001014		42,041
Passed Through Florida Atlantic University Board of Trustees:				
Bilingual & Cognitive Reserve	93.838	MR-K308		29,108
Passed Through Indiana University:				
The LEAD Study (LEADS)	93.866	8351_WCAD		12,019
Aging Research:				
Passed Through University of Southern California:				
FY22 Zvinka Zlalar KR-704245	93.866	KR-704245		187,541
A3 Clinical Trial Contract	93.866	130471059		7,302
TRC-PAD CTA	93.866	124439930		4,001
TRC-PAD Infrastructure	93.866	129177579		23,867
A4—OLE	93.866	120107488		2,696
ADNI-4	93.866	SCON-00004460		328
AHEAD 3-45 Study	93.866	130475989		1,829
			-	1,681,649
Total U.S. Department of Health and Human Services—National Institute of Health				
			-	1,681,649
Total research and development cluster				
			-	1,681,649
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 12,212,610

(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, 2023

Federal/State Agency, Pass-Through Entity, Federal Program/State Project	CSFA No.	Contract Grant Number	Through to Subrecipients	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-G22	\$ 59,000	\$ 180,212
Memory Disorder	65.002	XZ-D22	<u>-</u>	<u>436,318</u>
			59,000	616,530
State of Florida Legislature Annual Appropriation:				
Direct programs:				
UF Wein Center Supplement FY24	Unknown		-	58,397
State of Florida Department of Health				
Direct programs:				
UM OS0001232	64.135		-	3,903
State of Florida Department of Transportation				
Direct programs:				
Blum Ambulatory Greene Cancer Center Road	55.039	G2911	<u>-</u>	<u>77,069</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 59,000</u>	<u>\$ 755,899</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, 2023

1. 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 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.

The information in the supplemental schedule of expenditures of federal awards (the “Schedule”) is presented in accordance with the provisions 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*.

Assistance Listing Number (ALN) for federal programs and Catalog of State Financial Assistance (CSFA) numbers for state programs and pass-through numbers are provided when available.

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.

2. INDIRECT COST RATE

The Medical Center was awarded an indirect cost rate of 64% for federal grants.

* * * * *

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

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 (*Government Auditing Standards*), 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, 2023 and 2022, 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 (collectively referred to as the "financial statements"), and have issued our report thereon dated March 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

March 29, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE FINANCIAL ASSISTANCE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE 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

Opinion on Each Major Federal and State Program

We have audited Mount Sinai Medical Center of South Florida, Inc. and subsidiaries' (the "Medical Center") compliance with the types of compliance requirements identified as subject to audit 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 major state financial assistance programs for the year ended December 31, 2023. The Medical Center's major federal programs and major state financial assistance programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Medical Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state financial assistance programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program and Major State Financial Assistance Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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*. Our responsibilities under those standards, the Uniform Guidance, and the State of Florida Rules of the Auditor General, Chapter 10.650 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Medical Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state financial assistance program. Our audit does not provide a legal determination of the Medical Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Medical Center's federal programs and state financial assistance programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Medical Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State of Florida Rules of the Auditor General, Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Medical Center's compliance with the requirements of each major federal program and major state financial assistance program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State of Florida Rules of the Auditor General, Chapter 10.650, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Medical Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Medical Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Florida Rules of the Auditor General, Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the State of Florida Rules of the Auditor General, Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and the State of Florida Rules of the Auditor General, Chapter 10.650

We have audited the consolidated financial statements of the Medical Center as of and for the year ended December 31, 2023, and have issued our report thereon dated March 29, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and the State of Florida Rules of the Auditor General, Chapter 10.650 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. The 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 schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

March 29, 2024

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2023

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:

Unmodified

Internal control over financial reporting:
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 federal programs and major state programs:
Material weakness identified?

_____ Yes X No

Significant deficiencies identified?

_____ Yes X None reported

Type of auditors’ report issued on compliance for major federal programs and major state programs:
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

Unmodified

_____ Yes X No

Identification of Major Federal and State Programs:

ALN

97.039
97.039

Name of Federal Program or Cluster Name

Hazard Mitigation Grant Program:
MSOP Hardening
Aventura Hardening

Dollar threshold used to distinguish between Type A and Type B federal programs

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

CSFA Number

65.002

Name of State Program or Cluster Name

Alzheimer Model Day Care and Memory Disorder Clinics and Alzheimer Special Projects:
Brain Bank & Memory Disorder

Dollar threshold used to distinguish between Type A and Type B federal programs

\$300,000

(Continued)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2023

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.

(Concluded)

MOUNT SINAI MEDICAL CENTER OF FLORIDA, INC. AND SUBSIDIARIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2022

No findings were noted in the prior year.



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INDEPENDENT AUDITOR'S 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 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, 2023, and have issued our report thereon dated March 29, 2024.

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 (*Government Auditing Standards*); 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 Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's 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 Auditor's Report on Compliance for Each Major Federal Program and State Financial Assistance Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and the State of Florida Rules of the Auditor General, Chapter 10.650; and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 29, 2024, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate 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 project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

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, Federal and other granting agencies, 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 29, 2024