JUPITER MEDICAL CENTER, INC.
AND AFFILIATED COMPANIES

Jupiter, Florida

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Jupiter Medical Center, Inc. and Affiliated Companies
Jupiter, Florida

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Jupiter Medical Center, Inc. and Affiliated Companies, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jupiter Medical Center, Inc. and Affiliated Companies as of September 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of operations and changes in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations, and cash flows of the individual companies, 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 consolidating information has been subjected to the auditing procedures applied in the audits 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Ft. Lauderdale, Florida
January 13, 2017

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 52,442,084	$ 42,308,518
Short-term investments	191,310	2,054,856
Accounts receivable, less allowance for doubtful accounts of approximately $15,300,000 and $13,000,000 in 2016 and 2015, respectively	27,327,756	26,683,167
Pledges receivable - net, current portion, less allowance for doubtful pledges of approximately $92,000 and $60,000 in 2016 and 2015, respectively	15,800,476	7,231,698
Estimated third-party settlements receivable	-	302,302
Inventories, prepaid expenses, and other current assets	10,255,170	10,896,647
Total current assets	106,016,796	89,477,188
Assets limited as to use:		
By board for capital improvements	42,554,643	37,834,038
Under bond indenture agreement, held by trustees	3,466,874	3,465,584
Donor restricted	29,225,446	15,637,099
Total assets limited as to use	75,246,963	56,936,721
Pledges receivable, net of current portion	10,504,677	13,042,204
Long-term investments	11,673,920	10,981,142
Property and equipment, net	140,079,392	135,749,471
Other assets:		
Unamortized financing costs	1,515,444	1,568,455
Other	10,650,063	12,025,689
Total other assets	12,165,507	13,594,144
Total assets	$ 355,687,255	$ 319,780,870

(Continued)

	2016	2015
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,765,793	$ 21,309,475
Estimated third-party settlements payable	1,640,774	-
Accrued interest payable	873,874	931,868
Accrued liability for self-insurance programs, current portion	1,717,252	1,991,332
Current portion of long-term debt	4,912,920	4,627,613
Other current liabilities	1,901,815	894,006
Total current liabilities	32,812,428	29,754,294
Long-term debt	69,274,042	73,932,069
Other liabilities:		
Accrued liability for self-insurance programs, net of current portion	4,511,454	5,130,469
Other long term liabilities	1,009,248	1,354,910
Total other liabilities	5,520,702	6,485,379
Total liabilities	107,607,172	110,171,742
Net assets:		
Unrestricted	188,204,362	170,566,976
Temporarily restricted	55,328,729	35,419,386
Permanently restricted	4,546,992	3,622,766
Total net assets	248,080,083	209,609,128
Total liabilities and net assets	$ 355,687,255	$ 319,780,870

See accompanying notes to consolidated financial statements.

JUPITER MEDICAL CENTER, INC. AND AFFILIATED COMPANIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years ended September 30, 2016 and 2015

	2016	2015
Unrestricted revenue:		
Patient service revenue, net of contractual allowances and discounts	$ 212,664,894	$ 202,564,784
Provision for bad debts	(4,010,350)	(8,879,935)
Net patient service revenue, less provision for bad debts	208,654,544	193,684,849
Contributions	5,302,740	3,566,582
Other revenue	4,784,000	5,940,477
Investment income	1,569,843	3,593,241
Change in net unrealized gains (losses) on investments	4,547,635	(6,680,508)
Net assets released from restrictions, used for operations	5,823,120	2,382,529
Total unrestricted revenue	230,681,882	202,487,170
Expenses:		
Salaries	81,914,341	75,129,046
Benefits	11,782,648	9,642,946
Contract labor	6,737,332	5,192,179
Supplies	37,049,212	33,985,173
Purchased services	23,449,711	22,063,376
Drugs	15,813,001	14,153,536
Utilities	3,393,614	3,290,235
Interest	2,417,602	2,218,607
Insurance	3,173,801	3,685,464
Lease and rental	6,143,328	5,586,475
Depreciation	14,960,458	13,688,385
Maintenance	8,537,835	7,290,405
Other expenses	6,229,155	6,465,651
Total expenses	221,602,038	202,391,478
Excess of revenue over expenses	9,079,844	95,692

(Continued)

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended September 30, 2016 and 2015

	2016	2015
Unrestricted net assets:		
Excess of revenues over expenses	$ 9,079,844	$ 95,692
Net assets released from restrictions, used for additions to property and equipment	9,927,693	27,350,264
Net asset transfers to affiliates	(56,859)	-
Other changes in unrestricted net assets	(431,290)	34,643
Increase in unrestricted net assets	18,519,388	27,480,599
Temporarily restricted net assets:		
Restricted contributions	34,533,196	18,562,430
Change in net unrealized gains (losses) on investments	183,795	(251,935)
Investment income	61,163	166,480
Net assets released from restrictions	(15,750,813)	(29,732,793)
Increase (decrease) in temporarily restricted net assets	19,027,341	(11,255,818)
Permanently restricted net assets:		
Restricted contributions	924,226	326,365
Increase in net assets	38,470,955	16,551,146
Net assets at beginning of year	209,609,128	193,057,982
Net assets at end of year	$ 248,080,083	$ 209,609,128

See accompanying notes to consolidated financial statements.

JUPITER MEDICAL CENTER, INC. AND AFFILIATED COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	$ 38,470,955	$ 16,551,146
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	14,960,458	13,688,385
Amortization of bond discounts and deferred debt issuance costs	53,011	78,153
Provision for bad debts	4,010,350	8,879,935
Change in net unrealized (gains) losses on investments	(4,731,430)	6,940,247
Gains on disposals of property and equipment	(39,910)	(771,133)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(4,654,939)	(8,238,219)
Increase in pledges receivable	(6,031,251)	(2,660,667)
Decrease in estimated third party settlements receivable	302,302	(394,151)
Decrease in inventories, prepaid expenses, other current assets, and other assets	2,017,103	(599,317)
Decrease in accounts payable, accrued expenses, estmated third-party settlements and other liabilities	3,849,665	(247,533)
Decrease in other long-term liabilities	(964,677)	(830,695)
Net cash from operating activities	47,241,637	32,396,151
Cash flows from investing activities:		
Purchases of property and equipment and additions to construction-in-progress	(20,396,807)	(29,938,478)
Purchases of trading investments	(9,888,114)	(52,446,431)
Proceeds from sales and maturities of trading investments	11,451,367	79,560,002
Proceeds from sales of property and equipment	69,500	28,050
Net cash from investing activities	(18,764,054)	(2,796,857)

(Continued)

	2016	2015
Cash flows from financing activities:		
Restricted contributions and investments	$ (13,971,297)	$ (10,039,597)
Repayment of long-term debt	(20,028,927)	(9,489,657)
Proceeds from issuance of long-term debt	15,656,207	1,642,043
Net cash from financing activities	(18,344,017)	(17,887,211)
Net change in cash and cash equivalents	10,133,566	11,712,083
Cash and cash equivalents at beginning of year	42,308,518	30,596,435
Cash and cash equivalents at end of year	$ 52,442,084	$ 42,308,518
Supplemental Disclosures		
Interest paid, net of capitalized interest	$ 2,359,608	$ 2,269,949
Non-cash capital expenditures included in accounts payable and accrued expenses	$ 1,076,838	$ 1,928,031

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION AND MISSION

Organization: Jupiter Medical Center, Inc., located in Jupiter, Florida, is a not-for-profit acute care hospital that was incorporated in 1976.

The consolidated financial statements include the accounts of Jupiter Medical Center, Inc. (the Hospital) and the account balances of the following companies of which the Hospital, as the controlling organization, is the sole voting member: Jupiter Medical Center Pavilion, Inc. (the Pavilion); Jupiter Medical Center Foundation, Inc. (the Foundation); Jupiter Medical Center Physicians Group, Inc. (Physicians Group); Jupiter Health Outpatient Services, Inc.; and JMC Specialty Group, Inc.; (collectively, the Center). The consolidated financial statements of the Center also include the accounts of Jupiter Medical Center Auxiliary, which is not a separate legal entity apart from the Foundation. All intercompany accounts and transactions have been eliminated. The Hospital is also a partner in certain other related-party joint ventures.

The Hospital opened in 1979, offering medical, surgical, and other services, and currently operates 207 licensed beds. The Pavilion is a skilled nursing facility located adjacent to the Hospital and consists of 120 licensed beds. The Foundation was established to solicit contributions from the general public and to support the Hospital and the Pavilion. Funds are distributed as determined by the Foundation's Board of Trustees.

In February of 2013, the Center entered into an operating agreement with D1 Sports Training of Palm Beach, LLC. D1 Sports operates a sports training facility. The investment is classified as an equity investment with an initial capital contribution of $250,000. In fiscal year 2016, an additional capital contribution of $64,000 increased the Center’s ownership in the joint venture from 25.0% to 33.2%

In 2000, the Center entered into a long-term contract to lease a portion of its land to a real estate partnership. The Center holds a 51% equity investment as a limited partner in this real estate partnership. The general partner manages and controls the operation of a medical office building on this land. This transaction has been accounted for as a financing arrangement under the provisions of ASC 810, *Consolidation.*

At September 30, 2006, the Center held a 20% interest in the JOSC, an ambulatory surgery center. In April 2007, the Center purchased additional membership interests for approximately $12,000,000, increasing its ownership to approximately 61.0%. As of September 30, 2016, the Center’s ownership in the JOSC was approximately 54.0%. The remaining 46.0% interest is owned by physicians associated with the Center. The decrease in ownership percentage is the result of new physicians being issued equity shares. The carrying value of the JOSC investment at September 30, 2016 and 2015 was approximately $8,960,000 and $9,009,000, respectively, and is included in other assets in the consolidated balance sheets. The Center is accounting for its interest in the JOSC under the equity method of accounting in accordance with the provisions of ASC 810 and ASC 323, *Investments, Equity Method and Joint Ventures.*

The Center has issued 2013 Bonds, Series 2013A, Series 2013B and Series 2013C, under which the Center has granted to the Master Trustee a limited obligations payable on and security interest in the Gross Revenues of the Hospital and additionally secured by the Mortgaged Property (as defined in the 2013 Bond Agreement), subject to permitted liens, as security for the payment of all obligations issued under the Master Indenture and the performance by the Obligated Group members of their other obligations under the Master Indenture described below. The Obligated Group members include the Hospital and all of the affiliated companies listed above, except for Physician Group, and Auxiliary as listed above. The Obligated Group members are jointly and severally liable for all obligations issued pursuant to the Master Indenture.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mission Statement: The Center's primary mission is to deliver excellent and compassionate health care advancing the well-being of the people it serves.

Basis of Presentation: The Center's consolidated financial statements conform to the requirements of the Accounting Standards Codification (ASC or Codification) 958-605, *Not-for-Profit Entities, Revenue Recognition*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes. Net assets, revenues, gains, and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three categories of net assets reflected in the accompanying consolidated financial statements are as follows:

Unrestricted – Net assets that are free of donor-imposed restrictions; all revenues, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted – Net assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Center pursuant to those stipulations.

Permanently Restricted – Net assets whose use by the Center is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Cash and Cash Equivalents: Cash and cash equivalents include all cash accounts and other highly liquid investments generally with original maturities of 90 days or less, excluding amounts classified by the Board of Trustees for capital improvements. Cash equivalents include funds invested in overnight repurchase agreements, excluding assets limited as to use. The Center places its cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents may be in excess of government-provided insurance limits.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center receives letters sent by attorneys of injured parties agreeing to pay the medical expenses owed by patients out of any future settlements. Letter of protection accounts receivable are contractual agreements that allow the injured party to receive the care needed with the medical provider agreeing to wait until the conclusion of the settlement to demand payment. If the attorney settles the case, the attorney is obligated to ensure the medical provider's expense gets settled out of those funds. If there is no recovery, the injured party is responsible for the medical expense, and the medical provider has the right to pursue the injured party for the full expense.

Patient accounts receivable consisted of the following at September 30:

	2016	2015
Accounts receivable, net of contractual allowance and excluding letter of protection accounts receivable	$ 36,744,882	$ 34,586,907
Letter of protection accounts receivable	5,910,338	5,118,586
Patient accounts receivable	42,655,220	39,705,493
Allowance for doubtful accounts	(12,406,622)	(10,667,776)
Letter of protection allowance for doubtful accounts	(2,920,842)	(2,354,550)
Patient accounts receivable, net	$ 27,327,756	$ 26,683,167

Investments: The Center's consolidated financial statements conform to the requirements of ASC 958-320, *Not-for-Profit Entities, Investments-Debt and Equity Securities,* which specifies accounting methods for investments held by not-for-profit entities. As of September 30, 2016 and 2015, the Center's investments consist principally of equity securities, debt securities, and short-term investments. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest income, and dividends) is included in the excess of revenues over expenses unless that income or loss is restricted by donor or law. The Center has classified its investment portfolio as trading, with unrealized gains and losses included in excess of revenues over expenses on the consolidated statements of operations and changes in net assets. Investments and assets limited as to use are more fully described in Note 4 to the consolidated financial statements.

Fair Value of Financial Instruments: The carrying value of net accounts receivable from patients, accounts payable, and accrued liabilities approximates fair value due to the short-term nature of these accounts.

Contributions and Pledges: The Center records contributions in accordance with ASC 958-310, *Not-for-Profit Entities, Receivables*, which establishes accounting standards for contributions for donees (and donors) and generally requires unconditional promises to give cash and other assets (including multiyear promises) to be recognized at fair value in the period made. This guidance requires not-for-profit organizations to distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. This guidance also requires that unconditional promises to be collected or paid in more than one year be measured at the present value of estimated future cash flows.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center reports gifts and bequests as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the restricted purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

The Center reports noncash gifts and bequests as unrestricted contributions 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 temporarily restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises (pledges) to give cash and other assets to the Center are reported at fair value at the date the promise is received. The Center records revenue from pledges, net of a provision for uncollectible pledges. Amounts pledged are recorded as contributions of permanently restricted net assets, if designated by the donors as such, or temporarily restricted net assets until donor restrictions, if any, are met or, in the case of multiyear pledges, until the amounts pledged are actually received in cash from the donor. Substantially all of the Center's pledges are expected to be collected within five years.

Those pledges with extended payment terms have been recorded at the net present value of the stream of anticipated payments utilizing interest rates ranging from .07% to 2.50%. The effective interest rate is established at the time the pledge is recorded, based upon prevailing interest rates at the time. Pledges receivable as of September 30, 2016 and 2015, are summarized as follows:

	2016	2015
In less than one year	$ 16,054,326	$ 7,390,820
In one to five years (future value)	10,294,677	12,777,204
In five to ten years (future value)	210,000	265,000
Subtotal	26,559,003	20,433,024
Allowance for uncollectible pledges	(91,718)	(60,063)
Discount on pledges greater than one year	(162,132)	(99,059)
	$ 26,305,153	$ 20,273,902

At September 30, 2016 and 2015, gross pledges receivable included approximately $12,049,000 and $12,118,000, respectively, of promises to give from related parties.

Inventories: Inventories, consisting primarily of medical supplies and drugs, are stated at the lower of cost (determined by the first-in, first-out method) or market.

Assets Limited as to Use: Assets whose use is limited by the Board of Trustees of the Center represent assets set aside by the Board of Trustees for future capital improvements, funding of self-insurance programs, retirements of debt, future development, and other uses over which the Board of Trustees retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use also represent assets held by trustees under bond indenture agreements and donor restricted assets.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Property and equipment are recorded at cost if purchased or, if contributed, at the fair value on the date of contribution, less accumulated depreciation and amortization. Expenditures that increase the value and extend the useful life of an asset are capitalized. Routine maintenance, repairs, and minor equipment replacement costs are charged against operations. The Center provides for depreciation of the related assets using the straight-line method over estimated useful lives (which range from 3 years to 15 years for equipment and from 17 years to 40 years for buildings) assigned generally as recommended in the American Hospital Association publication, Estimated Useful Lives of Depreciable Hospital Assets.

The Company capitalizes interest cost on borrowings incurred during the new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. For the years ended September 30, 2016 and 2015, the Center capitalized approximately $0 and $417,000 of interest, respectively, in connection with various capital expansion projects.

Debt Issuance Costs: Debt issuance costs, which have been incurred in connection with the issuance of the Series 2013A, Series 2013B, and Series 2013C Bonds are included in other assets and are being amortized using the straight-line method over the life of the related bond issue, which approximates the effective interest method. Amortization of debt issuance costs is included in interest expense in the consolidated statements of operations and changes in net assets.

Bond Premiums: Bond premiums are reported along with long-term debt in the consolidated balance sheets and are amortized using a method that approximates the effective interest method. Amortization of bond premiums is included as a reduction to interest expense in the consolidated statements of operations and changes in net assets.

Self-Insured Programs: The Center is self-insured or retains a portion of the risk for certain health claims, workers' compensation claims, and professional liability claims. The provision for estimated self-insured claims for professional liability claims is included as insurance expense within the consolidated statements of operations and changes in net assets and includes estimates of the ultimate costs for both asserted and unasserted claims. The provisions for estimated self-insured claims for workers' compensation and health claims are recorded within benefits expense within the consolidated statements of operations and changes in net assets.

Net Patient Service Revenue: Net patient service revenue 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.

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments for inpatients and discounted charges and fee schedule payments for outpatients.

Charity Care: The 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 Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as net revenue. The Center measures charity care provided utilizing its cost to charge ratio from its most recent Medicare cost report.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Electronic Health Record Incentive Program: Under certain provisions of the American Recovery and Reinvestment Act of 2009, federal incentive payments are available to hospitals, physicians and certain other professionals when they adopt certified electronic health record (EHR) technology or implement health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of EHR technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

The Center uses a grant accounting model to recognize EHR incentive revenues. Under this model, the Center records EHR incentive revenue when it is reasonably assured that it will meet the meaningful use objective for the required reporting period and that the grants will be received. The Center recorded $328,677 and $0 in EHR revenue during the years ended September 30, 2016 and 2015, respectively. The Center recognized $219,984 of receivables related to EHR, included in other current assets, as of September 30, 2015.

Income from EHR incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. The System's compliance with the meaningful use criteria is subject to audit by the federal government.

Contributed Services: A substantial number of unpaid volunteers have made significant contributions of their time, principally inpatient service programs, and the operation of a thrift store and a gift shop. The value of this contributed time is not reflected in these consolidated financial statements since it is not susceptible to objective measurement or valuation and the equivalent of an employer/employee relationship does not exist.

Excess of Revenue Over Expenses: The consolidated statements of operations and changes in net assets include revenues, gains, losses and other support over expenses. Changes in unrestricted net assets that are excluded from the excess of revenue over expenses, consistent with industry practice, include unrealized gains (losses) on investments other than trading securities, net assets transfers, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and other changes that are outside of recurring operations.

Use of Estimates: The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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. Estimates and assumptions also affect the reported amounts of revenues and expenses during the year.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center considers critical estimates to be those that require more significant judgments in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue; valuation of accounts receivable, including contractual allowances and the allowance for doubtful accounts; and liabilities for losses and expenses related to health care, workers' compensation, professional liability, estimated third-party settlements and general 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 could differ from these estimates.

Income Taxes: The Internal Revenue Service has determined that the Hospital, the Pavilion, the Foundation, the Physician Group, and Jupiter Health Outpatient Services, Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). JMC Specialty Group, Inc. is a taxable corporation that files federal and Florida income tax returns. Income taxes related to JMC Specialty Group, Inc. is not material to the Center. Income earned in furtherance of the Center's tax-exempt purpose is exempt from federal and state income taxes. The IRC provides for taxation of unrelated business income under certain circumstances. The Center has no material unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authority.

Under ASC Subtopic 740, *Income Taxes,* the Center must recognize the tax benefit from an uncertain tax position only if it is “more-likely-than-not” that the tax position will be sustained on examination by the applicable taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. ASC Subtopic 740- 10, also provides guidance of derecognition, classification, interest and penalties on income taxes and accounting in interim periods and requires increased disclosure. There were no uncertain tax positions identified as of September 30, 2016 and 2015. The Center does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

Tax returns filed by the Center are subject to examination by the Internal Revenue Service (IRS) up to three years from the date the return was filed. The Center recognizes interest and/or penalties related to income tax matters in income tax expense. The Center did not have any amounts accrued for interest and penalties at September 30, 2016 and 2015. Tax returns filed by the Center and its affiliated companies are no longer subject to examination for the years ended September 30, 2012 and prior.

The Center has a 54% investment interest in an ambulatory surgery center at September 30, 2016, which may be deemed to operate in a for-profit manner. However, the Center believes, through its membership agreement, it has documentation to support the interest in this investment by the Hospital causing it to be related to its exempt purpose. As a result, the Center has not recorded income taxes payable or an income tax provision relating to the income from this investment. There are no significant deferred income tax assets or liabilities.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Guidance: In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement* (Topic 820). This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share expedient. The Center implemented this ASU for the fiscal year ended September 30, 2016 and applied it retroactively to the fiscal year ended September 30, 2015.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective retrospectively for fiscal years beginning after December 15, 2017. The Center has not yet implemented this ASU and the eventual impact on the Center's consolidated financial statements has not been determined.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* (Topic 835). This ASU simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in this ASU are effective for fiscal years beginning after December 15, 2015. The Center has not yet implemented this ASU and the eventual impact on the Center's consolidated financial statements has not been determined.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The updated guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of the update is permitted. The Center is evaluating the impact of the adoption of this update on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This ASU changes how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include quantitative and qualitative requirements in the following areas: Net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted. The Center has not yet implemented this ASU and the eventual impact on the Center's consolidated financial statements has not been determined.

Reclassifications: Certain prior year amounts have been reclassified in the consolidated balance sheets and consolidated statements of operations and changes in net assets to conform with the current year presentation. These reclassifications did not impact the previously reported excess of revenue over expenses, changes in net assets, or total net assets.

(Continued)

NOTE 3 - NET PATIENT SERVICE REVENUE

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

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

Medicare: Inpatient acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Center receives predetermined rates per ambulatory payment classification group based upon Medicare's outpatient prospective payment system. Approximately 59% and 58% of the Center's gross charges are for services to Medicare beneficiaries in 2016 and 2015, respectively.

The Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by the Centers for Medicare & Medicaid Services (CMS) and their designated contractors, as discussed below. The Center's annual reports to the Medicare program are subject to audit and approval of the Medicare program authorities. In connection with this audit and approval process, the Center may be required to revise its previous estimate of the Medicare contractual adjustment, liability, or receivable related to the Medicare program. Differences between the Center's original estimate and estimates based on subsequent determinations, resulting from the audit and approval process mentioned above, are recorded in operations by the Center in the period the determination is made. At September 30, 2016, Medicare cost reports through the year ended September 30, 2014, have been audited, and final settlement has been determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Recovery Audit Contractors have been and are currently being utilized by CMS to retroactively review the appropriateness of payments made to hospitals for services rendered based upon the clinical conditions of the patients. Through 2016, the Center has not experienced significant adjustments to previous payments from CMS.

(Continued)

NOTE 3 - NET PATIENT SERVICE REVENUE (Continued)

Other Third-Party Payors: The 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 Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Charity Care: The Center maintains records to identify and monitor the level of charity care it provides. Charity care, at cost, was approximately $2,912,000 and $2,660,000, in 2016 and 2015, respectively, and was estimated based upon the Center's Medicare cost to charge ratio. The Center provides charity care on an ongoing basis for emergency patient needs when there is an established inability to pay based upon defined financial assistance criteria and federal poverty guidelines. The Center also allows for charity to be presumptively recognized based upon healthcare credit scoring and demographic information by patients at the time of visit.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), by major payor sources, is as follows:

	September 30, 2016					
	Medicare	Medicaid	Blue Cross	Other Payers	Self Pay	Total
Gross patient charges	$ 540,416,516	$ 30,852,933	$ 122,686,293	$ 199,820,723	$ 29,134,725	$ 922,911,190
Contractual allowances and discounts	438,081,873	27,030,142	84,847,172	133,596,345	26,690,765	710,246,296
Patient service revenue	$ 102,334,643	$ 3,822,791	$ 37,839,121	$ 66,224,378	$ 2,443,960	$ 212,664,894

	September 30, 2015					
	Medicare	Medicaid	Blue Cross	Other Payers	Self Pay	Total
Gross patient charges	$ 522,648,537	$ 26,475,429	$ 132,346,331	$ 197,573,221	$ 17,821,924	$ 896,865,442
Contractual allowances and discounts	426,664,561	23,411,671	94,282,778	135,244,090	14,697,558	694,300,658
Patient service revenue	$ 95,983,976	$ 3,063,758	$ 38,063,553	$ 62,329,131	$ 3,124,366	$ 202,564,784

The Center receives payment for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers, and patients. During 2016 and 2015, approximately 46% and 47%, respectively, of the Center's patient service revenues related to patients participating in the Medicare program, approximately 2% from the Medicaid program, and 18% and 19%, respectively, from a specific managed care payor.

(Continued)

NOTE 3 - NET PATIENT SERVICE REVENUE (Continued)

The Center is a full-service, acute-care facility serving northern Palm Beach County, Florida. The Center recognizes that revenue and receivables from government agencies are significant to the Center's operations, but does not believe that there are significant credit risks associated with these governmental agencies. At September 30, 2016 and 2015, the Center has 36% and 37%, respectively, of net accounts receivable due from Medicare, and 9% and 7% respectively, of net accounts receivable due from a specific managed care payor. The Center does not believe that there are any other significant concentrations of revenues from any particular payor that would subject the Center to any significant credit risks in the collection of its accounts receivable. The Center grants credit to its patients, most of whom are local or state residents, and are insured under third-party arrangements.

Provisions for Doubtful Accounts: For uninsured patients who do not qualify for charity care, the 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). On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided.

The provision for bad debts is based upon management’s assessment of historical and expected collections of accounts receivable considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Accounts receivable are written off and charged to the provision for bad debts after collection efforts have been made in accordance with the Center's policies. Recoveries are treated as a reduction to the provision for patient bad debts.

Accounts receivable are reduced by an allowance for doubtful accounts. Periodically, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by major payor category.

Data about the major payor sources of revenue is analyzed to establish an appropriate allowance for uncollectible receivables and provision for patient bad debts. For receivables associated with services provided to patients who have third-party coverage, contractually due amounts are analyzed and compared to actual cash collected over time to enhance the quality of the estimate of the allowance for doubtful accounts and the provision for patient bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), an allowance for doubtful accounts is recorded on the basis of historical experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. An estimate of the difference between contracted rates and amounts actually collected, after all reasonable collection efforts have been exhausted, is charged to the provision for patient bad debts and credited to the allowance for doubtful accounts.

(Continued)

NOTE 4 - INVESTMENTS AND ASSETS LIMITED AS TO USE

The Center's investments and assets limited as to use consisted of the following at September 30, 2016 and 2015 and are stated at fair value:

	2016	2015
Investments:		
Cash and cash equivalents	$ 196,431	$ 626,780
U.S. government obligations	3,045,771	3,851,676
U.S. government, agency, and municipal securities	500,907	1,564,787
Corporate bonds	797,991	603,357
Alternative investments	1,369,716	1,222,814
Marketable equity securities	5,954,414	5,166,584
	11,865,230	13,035,998
Less long-term investments	(11,673,920)	(10,981,142)
Short-term investments	$ 191,310	$ 2,054,856
Assets limited as to use - designated by Board for capital improvements		
Cash and cash equivalents	$ 172,303	$ 154,854
U.S. government obligations	3,931,091	3,447,816
U.S. government, agency, and municipal securities	1,044,883	-
Corporate bonds	3,781,565	3,166,135
Alternative investments	6,490,889	6,416,756
Marketable equity securities	27,133,912	24,648,477
	42,554,643	37,834,038
Required under bond indenture agreement		
Cash and cash equivalents	3,466,874	3,465,584
	3,466,874	3,465,584
Donor restricted		
Cash and cash equivalents	15,724,717	5,170,463
U.S. government obligations	1,252,234	957,744
U.S. government, agency, and municipal securities	332,843	-
U.S. corporate bonds	1,204,603	879,499
Alternative investments	2,067,647	1,782,465
Marketable equity securities	8,643,402	6,846,928
	29,225,446	15,637,099
Assets limited as to use	$ 75,246,963	$ 56,936,721

(Continued)

NOTE 4 - INVESTMENTS AND ASSETS LIMITED AS TO USE (Continued)

Investment income from cash and cash equivalents, investments, and assets limited as to use for the year ended September 30, 2016 amounted to $1,814,801, which consists of $1,417,938 of interest and dividend income and $396,863 of net realized gains. Changes in unrealized gains were $4,547,635 for the year ended September 30, 2016. Changes in unrealized gains and losses of $183,795 are included as increases of temporarily restricted net assets, respectively, in the consolidated statement of operations and changes in net assets for the year ended September 30, 2016.

Investment income from cash and cash equivalents, investments, and assets limited as to use for the year ended September 30, 2015 amounted to $3,593,241, which consists of $1,196,065 of interest and dividend income and $2,397,176 of net realized gains. Changes in unrealized gains and losses were ($6,680,508) for the year ended September 30, 2015. Changes in unrealized gains and losses of ($251,935) are included as decreases of temporarily restricted net assets, respectively, in the consolidated statement of operations and changes in net assets for the year ended September 30, 2015.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2016 and 2015:

	2016	2015
Land	$ 5,745,546	$ 5,745,546
Land improvements and leasehold improvements	9,553,959	8,418,790
Building and fixed equipment	172,090,567	164,423,618
Movable equipment	53,989,453	50,266,706
Information technology	46,412,023	45,051,733
	287,791,548	273,906,393
Less accumulated depreciation	(157,357,455)	(144,442,013)
	130,434,093	129,464,380
Construction-in-progress	9,645,299	6,285,091
	$ 140,079,392	$ 135,749,471

At September 30 2016, the Center was involved in several short term renovation projects. The Center completed a long-term expansion project at the Medical Center during the year ended September 30, 2015.

In 2001, the Center purchased 3.8 acres of land in Jupiter and entered into a lease agreement with a related limited partnership to develop a medical office building on the Center's campus. Under the provisions of ASC 840, *Leases*, which specifies accounting for the effect of lessee involvement in asset construction and accounting for leases, and due to the nature of the Center's involvement during and after the construction of the building, the Center was considered to be the owner of the asset during the construction period through lease commencement, even though the funds to construct the building were paid by the related-party partnership that is the lessor. As such, the construction cost of the building of $6,775,000 was capitalized, and a corresponding amount was recognized as a construction financing obligation. The building is being depreciated on a straight-line basis over a total of 25 years, which is the 15-year lease term, and two 5-year renewal periods. The leases are renewable at the Hospital's option for an additional 10 years. The Center has recorded approximately $2,710,000 and $2,981,000, net as of September 30, 2016 and 2015, respectively, relating to this medical office building which is included in property and equipment. The Center has recorded approximately $2,711,000 and $3,060,000 as a financing obligation as of September 30, 2016 and 2015, respectively, which is included in long-term debt in the consolidated balance sheets.

(Continued)

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	2016	2015
Palm Beach County Health Facilities Authority Hospital Revenue Refunding Bonds, Series 2013A, based on fixed rates, which ranged from 0.74% - 4.49% at September 30, 2016, net of unamortized debt premium of $3,506,000 at September 30, 2016 [(1)]	$ 43,610,000	$ 46,215,000
Palm Beach County Health Facilities Authority Hospital Revenue Bonds, Series 2013C, based on a variable rate, which was 1.19% at September 30, 2015. These bonds were paid in full during 2016[(2)]	-	15,170,866
Palm Beach County Health Facilities Authority Hospital Revenue Bonds, Series 2013B, based on a variable rate, which was 1.38% at September 30, 2016 [(3)]	3,736,440	4,353,107
2011 promissory note, due in monthly installments of $42,633, plus interest through May 1, 2023 [(4)]	3,410,679	3,780,782
TD Bank N.A. Line of Credit, based on a variable rate, which was 1.40% at September 30, 2016, balance due upon maturity date of April 5, 2018 [(5)]	14,900,000	-
2013 Bond Premium	3,264,967	3,385,520
Lease financing obligations [(6)]	2,711,001	3,059,847
Capital lease obligations	2,553,875	2,594,560
	74,186,962	78,559,682
Less portion classified as current liability	(4,912,920)	(4,627,613)
	$ 69,274,042	$ 73,932,069

(1) The proceeds of the Series 2013A Bonds were advanced to the Center under an agreement with the Palm Beach County Health Facilities Authority (the Authority) to refund the Series 1993, 1999A, 2009A and 2009B Bonds, pay the costs of issuance of the bonds, and fund both a debt service reserve fund and project fund. The Series 2013A Bonds consist of $25,955,000 serial bonds maturing in specified amounts through the year 2023; $2,660,000 term bonds due through 2028; $5,020,000 term bonds due through 2033, and $17,045,000 term bonds due through 2044. The bonds had fixed interest rates of 0.74%-4.49% as of September 30, 2015. Interest is payable semiannually on May 1 and November 1 of each year and principal is payable in specified amounts on November 1 of each year through the year 2044. Of the proceeds, $3,521,052 and $23,561,908 were deposited in the Debt Service Reserve Fund and the Project Fund, respectively, to be administered by the bond trustee.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

(2) The proceeds of the Series 2013C Bonds were advanced to the Center under an agreement with the Authority to pay down the 2011 promissory note, pay the costs of issuance of the bonds as well as provide cash for various other projects. The Series 2013C Bonds consist of $15,170,866 serial bonds maturing through the year 2043. The bonds were paid in full during fiscal year 2016.

(3) The proceeds of the Series 2013B Bonds were advanced to the Center under an agreement with the Authority to refund the Series 1999B Bonds and pay the costs of issuance of the bonds. The Series 2013B Bonds consist of $5,603,107 serial bonds maturing through the year 2020. The bonds had a variable interest rate of 1.38% as of September 30, 2016. This note is pari passu with all other MTI Obligations under the Master Trust Indenture.

(4) On August 1, 2016, the Hospital executed an amended and restated renewal term loan and promissory note with a financial institution in the amount of $3,453,312. The proceeds of the note were used to refinance prior obligations utilized to acquire the additional membership interest in the Jupiter Outpatient Surgery Center, LLC (JOSC). Interest is payable monthly at an annual rate of daily adjusted LIBOR plus 1.55%. Monthly principal payments are approximately $42,633, plus accrued interest through May 1, 2023, at which time the unpaid principal balance is due. This note is pari passu with all other MTI Obligations under the Master Trust Indenture.

(5) Since October 1, 2009, the Hospital has maintained a $10,000,000 line of credit with financial institutions for the purpose of supporting operational and capital needs. On April 5, 2011, the Hospital entered into a replacement line of credit in the amount of $10,000,000 for a three-year period. Through a board resolution dated December 15, 2015, and which was agreed upon by the lender, the line of credit was increased to $15,000,000. The maturity date was extended to April 5, 2018. Interest is payable monthly on the principal balance at an annual rate of adjusted daily LIBOR plus 1.25%. At September 30, 2016 and 2015, the total balance outstanding was $14,900,000 and $0, respectively. The balance outstanding at September 30, 2016 was paid in full subsequent to year end.

(6) On January 24, 2000, the Hospital signed a ground lease to lease land it currently owns on its campus to a related-party limited partnership for the purpose of developing and constructing a medical office building on the land owned by the Hospital. The Hospital is a limited partner in this related-party limited partnership with an ownership of approximately 51%. The building was completed in June 2001, and the Hospital entered into two leasing agreements for approximately 70% of the available space in the building. As a result of the Hospital's continuing involvement in the partnership subsequent to completion of the construction of the building, the transaction has been recorded as a financing transaction rather than as a sale, and the building and related financing obligation of $6,775,000 were recognized in the consolidated financial statements. Average annual principal payments over the next two years are approximately $300,000 based on scheduled annual rent payments, with a balloon payment due in 2017 for the remaining balance. The interest rate implicit in the financing obligation is 4.275%

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NOTE 6 - LONG-TERM DEBT (Continued)

As of September 30, 2016, aggregate maturities of long-term debt (excluding the line of credit, lease financing, and capital lease obligations) and mandatory bond sinking fund requirements for the next five years and thereafter are as follows:

Year	Amount
2017	$ 3,810,727
2018	4,043,268
2019	4,161,602
2020	5,179,709
2021	2,011,602
Thereafter	31,482,670
	50,689,578
Less current portion	(3,810,727)
Less unamortized bond discounts	(3,144,415)
	$ 43,734,436

The Center's Series 2013A Bonds, Series 2013B Bonds, and Series 2013C Bonds (collectively, the Bonds) are collateralized by the gross receipts and accounts receivable generated from the Center's operations, as well as substantially all of the Center's property and equipment. In addition, the Master Trust Indenture and supplemental indentures that govern the Bonds contain certain financial and nonfinancial covenants related to the Center's Bonds with which the Center is required to comply.

NOTE 7 - RETIREMENT PLANS

The Center provides a voluntary defined contribution 403(b) retirement plan, which is available to substantially all employees. This plan is not annuity based and allows for self-directed mutual fund investments. The plan consists of a 2% discretionary contribution and a matching component from 2% up to 4% of each employee's voluntary contribution to the 403(b) plan. Contribution expense totaled approximately $2,062,000 and $2,044,000 for the years ended September 30, 2016 and 2015, respectively, and is included in benefits in the consolidated statements of operations and changes in net assets.

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

	2016	2015
Health care services:		
Building construction, renovation, and equipment	$ 38,180,505	$ 18,371,439
Restricted for various programs	17,148,224	17,047,947
	$ 55,328,729	$ 35,419,386

Permanently restricted net assets at September 30, 2016 and 2015 are restricted to investments held in perpetuity, the income from which is expendable to support health care services.

(Continued)

NOTE 9 - PROFESSIONAL LIABILITY INSURANCE

The Center maintains a risk management program to actively identify and monitor known professional and general liability claims during the year. The Center has a claims-made professional and general commercial liability policy, which provides coverage for all medical malpractice, general commercial, and commercial umbrella claims reported to the insurance carrier during the policy term. Under the policy, the Center is liable for the first $2,000,000 per claim on the first two claims and then $1,000,000 for each claim thereafter with a $1,000,000 self-insured retention, $1,000,000 buffer, and $6,000,000 annual aggregate. The Center estimates the liabilities for both asserted and unasserted claims not covered by insurance using a mix of industry experience and the actual malpractice loss experience of the Center as reported under the Center's risk management system. As of September 30, 2016 and 2015, professional liabilities totaled approximately $4,952,000 and $4,963,000, respectively.

The estimated liability for self-insured claims is discounted at the rate of 3% at September 30, 2016 and 2015. Management of the Center believes that ultimate losses in excess of the liability recorded, if any, will not be material to its consolidated results of operations or financial position. Claims paid during the years ended September 30, 2016 and 2015 approximated $870,000 and $860,000, respectively.

The Center recognized professional liability expense and premium costs in the amount of approximately $2,098,000 and $2,720,000 for the years ended September 30, 2016 and 2015, respectively, which is included in insurance expense in the accompanying consolidated statements of operations and changes in net assets.

NOTE 10 - EMPLOYEE HEALTH AND WORKERS’ COMPENSATION

The Center is self-insured for both employee health insurance and workers' compensation insurance. The Center has commercial insurance coverage for excess workers' compensation claims that exceed $500,000 per occurrence. All claims are submitted to and processed by a plan trustee or third- party administrator. An estimated accrual for claims incurred but not reported determined by actuaries under the workers' compensation plan has been recorded in the accompanying consolidated balance sheets. At September 30, 2016 and 2015, the workers' compensation liabilities have been discounted at 4% based on actuarial assumptions. At September 30, 2016, the Center has accrued approximately $1,280,000 and $1,120,000, respectively, related to workers' compensation and employee health insurance. In accordance with ASU 2010-24, an estimated insurance recovery receivable for self-insurance programs of approximately $0 and $1,039,000 at September 30, 2016 and 2015, respectively, is included in other assets on the consolidated balance sheet.

Workers' compensation and health insurance claims expense, net of employee paid premiums, charged to operations were approximately $2,870,000 and $3,670,000 for the years ended September 30, 2016 and 2015, respectively.

NOTE 11 - FUNCTIONAL EXPENSES

The Center provides general health care services to residents within Palm Beach County and the southern portion of Martin County. Expenses related to providing these services for the years ended September 30, 2016 and 2015 are as follows:

(Continued)

NOTE 11 - FUNCTIONAL EXPENSES (Continued)

	2016	2015
Health care services	$ 180,803,054	$ 159,609,018
General, administrative, and fundraising	40,798,984	42,782,460
	$ 221,602,038	$ 202,391,478

Fundraising expenses were not material to the Center's consolidated financial statements in the years ended September 30, 2016 and 2015.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Operating Leases: The Center leases certain office space and equipment under various noncancelable operating leases. Certain of these leases contain stated escalation clauses, while others contain renewal options. Rent expense for 2016 and 2015 amounted to approximately $5,663,000 and $4,740,000, respectively.

Future minimum payments under these noncancelable operating leases with terms of one year or more at September 30, 2016, consist of the following:

2017	$ 3,874,394
2018	2,469,373
2019	1,060,202
2020	869,825
2021	583,340
2022	2,519,269
Total minimum rental commitments	11,376,403
Less minimum sublease rentals	(898,668)
	$ 10,477,735

Litigation: The Center is involved in litigation and regulatory investigations arising in the ordinary course of business. While there are uncertainties inherent in the ultimate outcome of such matters and it is impossible to presently determine the ultimate costs that may be incurred, management believes the resolution of such uncertainties and the incurrence of such costs will not have a material adverse effect on the Center's future financial position or results from operations.

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NOTE 13 - RELATED PARTIES

In 2000, the Center entered into a long-term contract to lease a portion of its land to a real estate partnership. The Center holds a 51% equity investment as a limited partner in this real estate partnership. The general partner manages and controls the operation of a medical office building on this land. This transaction has been accounted for as a financing arrangement under the provisions of ASC 810, *Consolidation.* At September 30, 2006, the Center held a 20% interest in the JOSC, an ambulatory surgery center. In April 2007, the Center purchased additional membership interests for approximately $12,000,000, increasing its ownership to approximately 61%. As of September 30, 2016, the Center's ownership was approximately 54% and the remaining 46% interest is owned by physicians associated with the Center. The decrease in ownership percentage is the result of new physicians being issued equity shares. The carrying value of the JOSC investment at September 30, 2016 and 2015 was approximately $8,960,000 and $9,009,000, respectively, and is included in other assets in the consolidated balance sheets. The Center is accounting for its interest in the JOSC under the equity method of accounting in accordance with the provisions of ASC 810 and ASC 323, *Investments, Equity Method and Joint Ventures.*

NOTE 14 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, *Fair Value Measurement and Disclosures,* describes three levels within the fair value hierarchy, based on the lowest level of any input that is significant to the fair value measurement. The following provides a description of the three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by observable market data (interest rates, credit risk, quotes or prices of similar assets or liabilities, etc.).

Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions.

The following tables set forth the level within the fair value hierarchy for each of the Center's financial assets and liabilities including investments, assets limited as to use, and donor restricted assets, as of September 30, 2016 and 2015, which are measured at fair value on a recurring basis:

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 19,560,327	$ -	$ -	$ 19,560,327
U.S. treasury obligations	8,229,096	-	-	8,229,096
U.S. government, agency and municipal securities	1,878,634	-	-	1,878,634
Corporate bonds	-	5,784,158	-	5,784,158
Alternative investments*	-	-	-	9,928,251
Marketable securities	41,731,727	-	-	41,731,727
Total assets	$ 71,399,784	$ 5,784,158	$ -	$ 87,112,193

There were no significant transfers between Level 1 and Level 2 during 2016.

(Continued)

NOTE 14 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	September 30, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,417,680	$ -	$ -	$ 9,417,680
Certificates of deposit with maturities greater than 90 days	-	-	-	-
U.S. treasury obligations	8,257,236	-	-	8,257,236
U.S. government, agency and municipal securities	1,564,788	-	-	1,564,788
Corporate bonds	-	4,648,991	-	4,648,991
Alternative investments*	-	-	-	9,422,036
Marketable securities	36,661,988	-	-	36,661,988
Total assets	$ 55,901,692	$ 4,648,991	$ -	$ 69,972,719

* Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for such investments are intended to permit reconciliation of the fair value hierarchy to the investments at fair value line item presented in the consolidated balance sheets.

There were no significant transfers between Level 1 and Level 2 during 2016.

The Center's fixed income securities, or corporate bonds, consist of high-quality, investment grade securities from diverse issuers. The Center values these securities based on pricing from the investment trustees, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value. The Center classified all of its fixed income securities as Level 2 in fiscal 2015.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Cash and Cash Equivalents – The carrying amounts approximate fair value because of the short maturity of those instruments.

Investments and Assets Limited as to Use – The fair value of cash and cash equivalents, U.S. Treasury obligations, US government, agency, and municipal securities, and marketable securities is based on quoted market prices for those assets (Level 1). Fair value of certificates of deposit with maturities greater than 90 days and corporate bonds is based on quoted prices for similar assets or liabilities or other inputs that are observable or can be corroborated by observable market data (Level 2). Alternative investments are reported at net asset value as a practical expedient for estimating fair value. The alternative investments consist of hedge funds and real estate investments which are not traded in active markets. As of September 30, 2016 and 2015, the hedge fund balances totaled approximately $8,210,000 and $7,933,000, respectively, and the real estate funds total approximately $1,718,000 and $1,489,000, respectively. The hedge funds consist of two funds, the Alpha Core Strategies Feeder Fund and the HF Diversified Core Strategies Fund. Both funds have stated investment objectives of seeking risk-adjusted rates of return through investment in a diversified portfolio of assets. The Alpha Core Strategies Feeder Fund allows redemption at the net asset value as of the last business day of each calendar quarter with at least 60 days calendar notice. The HF Diversified Core Strategies Fund allows redemption of all or a portion of their shares as of the last business day of any calendar quarter and upon 60 days written notice. The hedge fund net asset values are reported by the fund managers in audited fund investment statements and are provided to and reviewed by the Center’s management. The hedge fund’s audited financial statements are as of a different date than the Center’s financial statement date. Management evaluates the gap period with consideration of specific fund transactions and investment returns for that period. The Center had no outstanding funding commitments to any of the alternative investments as of September 30, 2016.

(Continued)

NOTE 14 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Patient Accounts Receivable – The carrying amounts reported in the consolidated balance sheets for patient accounts receivable, net of estimated allowances for contractual adjustments and doubtful accounts, approximate fair value.

Accounts Payable and Accrued Expenses – The carrying amounts reported in the consolidated balance sheets for accounts payable and accrued expenses approximate fair value.

Estimated Third-Party Payor Settlements – The carrying amounts reported in the consolidated balance sheets for estimated third-party payor settlements approximate fair value.

Long-Term Debt – The fair value of the Center's fixed rate long-term debt, excluding capital lease obligations, is estimated based on the quoted market rates. Market rates are estimated using current rates for long-term obligations with similar credit risks. The carrying amounts of the Center's variable-rate obligations, mortgage payable, capital leases, and line-of-credit obligation approximate fair value.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, patient accounts receivable and current liabilities approximate fair value due to the short-term nature of these financial instruments.

The carrying amounts and fair value of the Center's financial instruments in the consolidated balance sheets at September 30, 2016 and 2015 are as follows:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments, donor restricted assets and assets limited as to use	$ 87,112,193	$ 87,112,193	$ 69,972,719	$ 69,972,719
Long-term debt	(74,186,962)	(74,186,962)	(78,559,682)	(78,559,682)

NOTE 15 - ENDOWMENTS

The Center follows accounting rules that provide guidance on the net asset classification of donor- restricted endowment funds for not-for-profit organizations subject to a state-enacted version of the Uniform Management of Institutional Funds Act of 2006. The Center's endowment is subject to the State of Florida Uniform Management of Institutional Funds Act (FUMIFA) as enacted in 2003. Effective July 1, 2012, the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) replaced FUMIFA. FUPMIFA enhances provisions of FUMIFA; apply to all charitable institutions, not just those associated exclusively with education purposes; allow pooling of institutional funds for purpose of managing and investing; delineate factors to be considered prior to expenditure of funds; provide new procedures for releasing restrictions on small institutional funds; provide for modification of restrictions on the use of endowment funds; and provide for reversion of real property to the board of trustees of the State of Florida Internal Improvement Trust Fund if an entity holding a deed subject to a reverter clause violates the deed restrictions.

The following disclosures are made as required by these rules.

The Center's endowments consist of approximately eleven individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

NOTE 15 - ENDOWMENTS (Continued)

The Board of Trustees of the Center has interpreted the FUPMIFA as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with FUPMIFA, the Center considers the following factors in determining prudent investment conduct:

(1) General economic conditions
(2) Possible effect of inflation or deflation
(3) Expected tax consequences, if any, of investment decisions or strategies
(4) Role that each investment or course of action plays within the overall investment portfolio of the fund
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Center
(7) Needs of the Center and the fund to make distributions and preserve capital
(8) An assets special relationship or special value, if any, to the charitable purposes of the Center

In accordance with FUPMIFA, the Center considers the following factors when making a determination to appropriate or accumulate donor-restricted funds:

(1) The duration and preservation of the fund
(2) The purposes of the Center and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Center
(7) The investment policies of the Center

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity for a donor-specific period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs.

To satisfy its long-term rate-of-return objectives and reduce risk, the Center's portfolio is composed of diversified assets, including both equity and fixed-income investments. The equities are intended to provide current income, growth of income, and appreciation of principal. The fixed income investments are intended to provide a predictable and reliable source of interest income while reducing the volatility of the portfolio.

(Continued)

NOTE 15 - ENDOWMENTS (Continued)

In establishing the Center's policy for the appropriation of endowment assets for expenditure, the Center considered the long-term expected return on its endowments. Accordingly, in order to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, it is the Center's objective to provide additional real growth through new gifts and investment return and make appropriations at the discretion of the Board of Trustees.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Center to retain as a fund of perpetual duration. Deficiencies of this nature would be reported in unrestricted net assets. There were no deficiencies recorded at September 30, 2016 or 2015.

FUPMIFA, absent donor's written consent, allows the Board of Trustees to authorize the release of a fund less than $100,000 (up to a cap of $250,000) with notification provided to the Attorney General of the State of Florida and approval of the circuit court. The Center did not undertake any such releases.

At September 30, 2016 and 2015, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2016				
Donor-restricted endowment funds	$ -	$ 4,432,946	$ 4,546,992	$ 8,979,938

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2015				
Donor-restricted endowment funds	$ -	$ 3,587,109	$ 3,622,766	$ 7,209,875

(Continued)

NOTE 15 - ENDOWMENTS (Continued)

Changes in endowment net assets for the fiscal year ended September 30, 2016 and 2015 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2016				
Endowment net assets, beginning of year	$ -	$ 3,587,109	$ 3,622,766	$ 7,209,875
Investment return:				
Investment income	-	184,499	-	184,499
Fees	-	(17,463)	-	(17,463)
Net appreciation (realized and unrealized)	-	678,801	-	678,801
Total investment return	-	845,837	-	845,837
Contributions	-	-	924,226	924,226
Appropriation of endowment assets for expenditures	-	-	-	-
Endowment net assets, end of year	$ -	$ 4,432,946	$ 4,546,992	$ 8,979,938

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2015				
Endowment net assets, beginning of year	$ -	$ 3,948,150	$ 3,296,401	$ 7,244,551
Investment return:				
Investment income	-	162,317	-	162,317
Fees	-	(19,416)	-	(19,416)
Net appreciation (realized and unrealized)	-	(438,496)	-	(438,496)
Total investment return	-	(295,595)	-	(295,595)
Contributions	-	-	326,365	326,365
Transfers	-	-	-	-
Appropriation of endowment assets for expenditures	-	(65,446)	-	(65,446)
Endowment net assets, end of year	$ -	$ 3,587,109	$ 3,622,766	$ 7,209,875

(Continued)

NOTE 15 - ENDOWMENTS (Continued)

The following represents the corpus and related income of endowment funds, by purpose, at September 30, 2016 and 2015:

	2016	2015
Health care services:		
Cancer	$ 1,136,676	$ 1,023,216
Henderson, greatest need	1,055,609	950,241
Ahlbin, greatest need	1,327,229	1,194,258
Loxahatchee, greatest need	3,124,965	2,811,541
Coxe, greatest need	240,813	216,775
Katz, greatest need	344,468	310,090
Hartzog, greatest need	423,730	381,391
Goldberg, greatest need of the physicians	222,756	152,748
General, greatest need	493,129	-
Conrades, greatest need of the nurses	499,559	69,705
Hendrickson, greatest need of clinical staff	111,004	99,910
	$ 8,979,938	$ 7,209,875

NOTE 16 - SUBSEQUENT EVENTS

The Center evaluated events and transactions occurring subsequent to September 30, 2016, through January 13, 2017, the date the consolidated financial statements were issued. During this period, there were no subsequent events that required recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

JUPITER MEDICAL CENTER, INC. AND AFFILIATED COMPANIES
CONSOLIDATING BALANCE SHEET
September 30, 2016

	Jupiter Medical Center, Inc.	Jupiter Medical Center Pavilion, Inc.	Jupiter Medical Center Foundation, Inc.	Obligated Group	Jupiter Medical Center Physicians Group, Inc.	Auxiliary	Eliminations	Consolidated
ASSETS								
Current assets:								
Cash and cash equivalents	$ 47,556,747	$ 649,812	$ 3,661,505	$ 51,868,064	$ 39,767	$ 534,253	$ -	$ 52,442,084
Short-term investments	191,310	-	-	191,310	-	-	-	191,310
Accounts receivable, less allowance for doubtful accounts of approximately $15,300,000	26,154,972	808,397	-	26,963,369	364,387	-	-	27,327,756
Pledges receivable - net, current portion, less allowance for doubtful pledges of $92,000			15,800,476	15,800,476	-	-	-	15,800,476
Due from related parties	373,917	-	-	373,917	-	-	(373,917)	-
Inventories, prepaid expenses, and other current assets	9,545,396	26,302	550,368	10,122,066	98,205	34,899	-	10,255,170
Total current assets	83,822,342	1,484,511	20,012,349	105,319,202	502,359	569,152	(373,917)	106,016,796
Assets limited as to use:								
By board for capital improvements	-	-	42,554,643	42,554,643	-	-	-	42,554,643
Under bond indenture agreement, held by trustees	3,466,874	-	-	3,466,874	-	-	-	3,466,874
Donor restricted	-	-	29,225,446	29,225,446	-	-	-	29,225,446
Total assets limited as to use	3,466,874	-	71,780,089	75,246,963	-	-	-	75,246,963
Pledges receivable, net of current portion	-	-	10,504,677	10,504,677	-	-	-	10,504,677
Long-term investments	2,530,189	-	9,143,731	11,673,920	-	-	-	11,673,920
Property and equipment, net	137,070,814	2,030,008	26,970	139,127,792	951,600	-	-	140,079,392
Other assets:								
Unamortized financing costs	1,515,444	-	-	1,515,444	-	-	-	1,515,444
Other	10,545,013	-	105,050	10,650,063	-	-	-	10,650,063
Total other assets	12,060,457	-	105,050	12,165,507	-	-	-	12,165,507
Total assets	$ 238,950,676	$ 3,514,519	$ 111,572,866	$ 354,038,061	$ 1,453,959	$ 569,152	$ (373,917)	$ 355,687,255

(Continued)

JUPITER MEDICAL CENTER, INC. AND AFFILIATED COMPANIES
CONSOLIDATING BALANCE SHEET
September 30, 2016

	Jupiter Medical Center, Inc.	Jupiter Medical Center Pavilion, Inc.	Jupiter Medical Center Foundation, Inc.	Obligated Group	Jupiter Medical Center Physicians Group, Inc.	Auxiliary	Eliminations	Consolidated
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable and accrued expenses	$ 21,307,597	$ 206,011	$ 57,490	$ 21,571,098	$ 182,956	$ 11,739	$ -	$ 21,765,793
Estimated third-party settlements payable	1,640,774	-	-	1,640,774	-	-	-	1,640,774
Accrued interest payable	873,874	-	-	873,874	-	-	-	873,874
Accrued liability for self-insurance programs, current portion	1,717,252	-	-	1,717,252	-	-	-	1,717,252
Current portion of long-term debt	4,912,920	-	-	4,912,920	-	-	-	4,912,920
Due to related parties	-	-	342,679	342,679	-	31,238	(373,917)	-
Other current liabilities	1,072,248	-	823,853	1,896,101	-	5,714	-	1,901,815
Total current liabilities	31,524,665	206,011	1,224,022	32,954,698	182,956	48,691	(373,917)	32,812,428
Long-term debt	69,274,042	-	-	69,274,042	-	-	-	69,274,042
Other liabilities:								
Accrued liability for self-insurance programs, net of current portion	4,511,454	-	-	4,511,454	-	-	-	4,511,454
Other long term liabilities	1,009,248	-	-	1,009,248	-	-	-	1,009,248
Total other liabilities	5,520,702	-	-	5,520,702	-	-	-	5,520,702
Total liabilities	106,319,409	206,011	1,224,022	107,749,442	182,956	48,691	(373,917)	107,607,172
Net assets:								
Unrestricted	132,631,267	3,308,508	50,473,123	186,412,898	1,271,003	520,461	-	188,204,362
Temporarily restricted	-	-	55,328,729	55,328,729	-	-	-	55,328,729
Permanently restricted	-	-	4,546,992	4,546,992	-	-	-	4,546,992
Total net assets	132,631,267	3,308,508	110,348,844	246,288,619	1,271,003	520,461	-	248,080,083
Total liabilities and net assets	$ 238,950,676	$ 3,514,519	$ 111,572,866	$ 354,038,061	$ 1,453,959	$ 569,152	$ (373,917)	$ 355,687,255

JUPITER MEDICAL CENTER, INC. AND AFFILIATED COMPANIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
September 30, 2016

	Jupiter Medical Center, Inc.	Jupiter Medical Center Pavilion, Inc.	Jupiter Medical Center Foundation, Inc.	Obligated Group	Jupiter Medical Center Physicians Group, Inc.	Auxiliary	Eliminations	Consolidated
Unrestricted revenue:								
Patient service revenue, net of contractual allowances and discounts	$ 203,101,955	$ 7,742,794	$ -	$ 210,844,749	$ 4,859,509	$ -	$ (3,039,364)	$ 212,664,894
Provision for bad debts	(3,340,845)	(162,791)	-	(3,503,636)	(506,714)	-	-	(4,010,350)
Net patient service revenue, less provision for bad debts	199,761,110	7,580,003	-	207,341,113	4,352,795	-	(3,039,364)	208,654,544
Contributions	-	-	5,302,740	5,302,740	-	-	-	5,302,740
Other revenue	2,691,511	1,504,465	-	4,195,976	120,381	1,020,303	(552,660)	4,784,000
Investment income (loss)	(107,409)	-	1,677,252	1,569,843	-	-	-	1,569,843
Change in net unrealized gains on investments	15,995	-	4,531,640	4,547,635	-	-	-	4,547,635
Net assets released from restrictions, used for operations	2,966,041	240	2,856,839	5,823,120	-	-	-	5,823,120
Total unrestricted revenue	205,327,248	9,084,708	14,368,471	228,780,427	4,473,176	1,020,303	(3,592,024)	230,681,882
Expenses:								
Salaries	71,788,783	4,232,701	1,286,884	77,308,368	4,321,619	284,354	-	81,914,341
Benefits	13,211,796	724,912	213,344	14,150,052	704,268	55,138	(3,126,810)	11,782,648
Contract labor	6,481,977	59,366	2,280	6,543,623	193,709	-	-	6,737,332
Supplies	36,500,036	203,690	48,816	36,752,542	172,218	124,452	-	37,049,212
Purchased services	18,485,966	1,897,208	1,879,947	22,263,121	1,167,496	69,800	(50,706)	23,449,711
Drugs	15,285,623	527,378	-	15,813,001	-			15,813,001
Utilities	3,063,038	310,259	1,375	3,374,672	18,942	-	-	3,393,614
Interest	2,417,602	-	-	2,417,602	-	-	-	2,417,602
Insurance	2,774,370	247,594	-	3,021,964	151,837	-	-	3,173,801
Lease and rental	6,159,106	38,617	6,932	6,204,655	452,909	18,162	(532,398)	6,143,328
Depreciation	14,479,869	326,459	3,809	14,810,137	150,321	-	-	14,960,458
Maintenance	8,385,825	38,774	22,909	8,447,508	84,787	5,540	-	8,537,835
Other expenses	5,469,118	157,735	475,224	6,102,077	38,529	468,052	(379,503)	6,229,155
Total expenses	204,503,109	8,764,693	3,941,520	217,209,322	7,456,635	1,025,498	(4,089,417)	221,602,038
Excess (deficiency) of revenue over expenses	824,139	320,015	10,426,951	11,571,105	(2,983,459)	(5,195)	497,393	9,079,844

JUPITER MEDICAL CENTER, INC. AND AFFILIATED COMPANIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
September 30, 2016

	Jupiter Medical Center, Inc.	Jupiter Medical Center Pavilion, Inc.	Jupiter Medical Center Foundation, Inc.	Obligated Group	Jupiter Medical Center Physicians Group, Inc.	Auxiliary	Eliminations	Consolidated
Unrestricted net assets:								
Excess (deficiency) of revenue over expenses	$ 824,139	$ 320,015	$ 10,426,951	$ 11,571,105	$ (2,983,459)	$ (5,195)	$ 497,393	$ 9,079,844
Net assets released from restrictions, used for additions to property and equipment	9,927,693	-	-	9,927,693	-	-	-	9,927,693
Net asset transfers to affiliates	(1,458,377)	(652,061)	(702,239)	(2,812,677)	2,725,219	30,599	-	(56,859)
Other changes in unrestricted net assets	(431,290)	-	-	(431,290)	-	-	-	(431,290)
Increase (decrease) in unrestricted net assets	8,862,165	(332,046)	9,724,712	18,254,831	(258,240)	25,404	497,393	18,519,388
Temporarily restricted net assets:								
Restricted contributions	-	-	34,912,699	34,912,699	-	-	(379,503)	34,533,196
Change in net unrealized gains on investments	-	-	183,795	183,795	-	-	-	183,795
Investment income	-	-	61,163	61,163	-	-	-	61,163
Net assets released from restrictions	-	-	(15,750,813)	(15,750,813)	-	-	-	(15,750,813)
Decrease in temporarily restricted net assets	-	-	19,406,844	19,406,844	-	-	(379,503)	19,027,341
Permanently restricted net assets:								
Restricted contributions	-	-	924,226	924,226	-	-	-	924,226
Increase (decrease) in net assets	8,862,165	(332,046)	30,055,782	38,585,901	(258,240)	25,404	117,890	38,470,955
Net assets at beginning of year	123,769,102	3,640,554	80,293,062	207,702,718	1,529,243	495,057	(117,890)	209,609,128
Net assets at end of year	$ 132,631,267	$ 3,308,508	$ 110,348,844	$ 246,288,619	$ 1,271,003	$ 520,461	$ -	$ 248,080,083