

Trinitas Regional Medical Center Obligated Group

Consolidated Balance Sheet

At September 30, 2021 and December 31, 2020

(Unaudited)

	September 2021	December 2020
Assets		
Current Assets:		
Cash and cash equivalents (includes certificates of deposit)	\$ 146,750,678	\$ 165,474,120
Assets whose use is limited	2,385,951	4,760,013
Patient accounts receivable, net	25,651,007	23,385,715
Other receivables	9,041,720	3,435,564
Other current assets	8,292,488	6,580,172
Total current assets	<u>192,121,844</u>	<u>203,635,584</u>
Assets Whose Use is Limited and Investments		
Assets whose use is limited:		
Internally designated	127,030,284	122,891,873
Other internally designated	15,656,927	13,980,668
Donor restricted	3,831,762	4,239,737
Investments	36,793,184	36,004,190
Total assets whose use is limited and investments	<u>183,312,157</u>	<u>177,116,468</u>
Beneficial Interest in Net Assets of Trinitas Health Foundation	13,319,214	11,588,452
Property and Equipment (net of accumulated depreciation of \$293,994,000 and \$284,479,000 in 2021 and 2020, respectively)	105,246,153	92,912,378
Right-of-Use Assets	7,384,001	9,029,306
Other Assets	9,304,956	9,278,779
Total	<u>\$ 510,688,325</u>	<u>\$ 503,560,967</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	\$ 6,150,000	\$ 5,865,000
Current portion of operating lease obligation	2,110,632	2,421,734
Accounts payable, construction payable and accrued expenses	39,891,625	34,806,907
Deferred revenue - CARES stimulus payments	-	17,138,682
Deferred revenue	19,295,578	3,488,766
Advances from Medicare	15,051,131	8,400,754
Estimated settlements with third-party payors	3,852,042	6,324,644
Total current liabilities	<u>86,351,008</u>	<u>78,446,487</u>
Estimated Settlements with Third-party Payors	53,925,926	51,856,561
Long-Term Debt	67,572,991	74,575,394
Operating Lease Obligations	5,273,369	6,607,572
Advances from Medicare	5,683,512	17,927,095
Other Long-Term Liabilities	28,683,501	27,152,582
Total liabilities	<u>247,490,307</u>	<u>256,565,691</u>
Net Assets		
Without donor restrictions	246,047,043	231,167,082
With donor restrictions	17,150,975	15,828,194
Total net assets	<u>263,198,018</u>	<u>246,995,276</u>
Total	<u>\$ 510,688,325</u>	<u>\$ 503,560,967</u>

Trinitas Regional Medical Center Obligated Group
Consolidated Statement of Operations
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	September 2021	September 2020
Revenues		
Net patient service revenue	\$ 172,577,702	\$ 154,614,441
CARES Act stimulus revenue - operating	14,998,994	26,372,855
Other revenue	52,572,953	49,106,879
Net assets released from restrictions used for operations	560,826	1,101,263
Total revenues	240,710,475	231,195,438
Expenses		
Salaries and wages	106,388,450	105,815,408
Employee benefits	22,138,151	25,873,706
Supplies and other	94,521,268	87,964,317
Depreciation	9,514,748	8,312,420
Interest and amortization	1,941,826	1,954,878
Total expenses	234,504,443	229,920,729
Operating Income	6,206,032	1,274,709
Nonoperating Gains and (Losses)		
Interest, dividends and other	2,039,696	2,641,457
Net realized gains on investments	4,382,722	1,971,472
Change in unrealized (losses)/gains on investments	(1,989,772)	(1,036,664)
Total nonoperating gains	4,432,646	3,576,265
Revenues and Nonoperating Gains Over Expenses	\$ 10,638,678	\$ 4,850,974

Trinitas Regional Medical Center Obligated Group
 Consolidated Statement of Changes in Net Assets
 For the Nine Months Ended September 30, 2021 and 2020
 (Unaudited)

	September 2021	September 2020
Without Donor Restrictions:		
Revenues and nonoperating gains over (under) expenses	\$ 10,638,678	\$ 4,850,974
Net assets released from restrictions		
used for purchase of property and equipment	1,917,007	1,694,120
CARES Act stimulus payments - capital	2,324,271	1,461,378
Increase in without donor restrictions net assets	14,879,956	8,006,472
With Donor Restrictions:		
Contributions	2,102,309	2,548,825
Interest and dividends	7,587	8,494
Change in unrealized gains on investments	(40,038)	68,172
Net assets released from restrictions	(2,477,834)	(2,795,382)
Change in beneficial interest in net assets of Trinitas Health Foundation	1,730,762	1,936,909
Increase in with donor restrictions net assets	1,322,786	1,767,018
Increase in Net Assets	16,202,742	9,773,490
Net Assets		
Beginning of year	246,995,276	226,535,894
End of year	\$ 263,198,018	\$ 236,309,384

Trinitas Regional Medical Center Obligated Group
Consolidated Statement of Cash Flows
For the Nine Months Ended September 30, 2021 and 2020
(Unaudited)

	September 2021	September 2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 16,202,742	\$ 9,773,490
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	9,514,748	8,312,420
Lease expense	2,722,858	2,957,541
Change in right-of-use asset and lease obligation, net	37,420	(73,477)
Amortization of deferred financing costs	50,060	53,964
Amortization of deferred bond premium	(902,463)	(972,419)
Restricted contributions for capital additions	(1,917,007)	(1,694,120)
Change in net unrealized gains and losses on other than trading securities	1,989,772	1,036,664
Net realized gains and losses on investments	(4,382,722)	(1,971,472)
Change in beneficial interest in net assets of Trinitas Health Foundation	(1,730,762)	(1,936,909)
Change in assets and liabilities:		
Patient accounts receivable	(2,272,437)	7,118,384
Other receivables	(5,488,700)	(4,230,465)
Other current assets and other assets	(1,690,934)	845,634
Accounts payable, construction payable and accrued expenses	4,926,848	130,845
Deferred revenue - CARES stimulus payments	(17,138,682)	29,156,967
Deferred revenue	15,806,812	(2,882,837)
Estimated settlements with third-party payors	(403,237)	(879,843)
Advances from Medicare - contract liability	(5,593,206)	26,104,166
Other long-term liabilities	1,530,919	1,392,630
Lease payments	(2,760,278)	(2,884,064)
Net cash provided by operating activities	8,501,751	69,357,099
Cash Flows from Investing Activities		
Acquisition of property and equipment and construction	(21,848,523)	(10,285,297)
Purchases of investments and assets whose use is limited, net	(4,139,296)	(4,329,123)
Net cash used in investing activities	(25,987,819)	(14,614,420)
Cash Flows from Financing Activities		
Restricted contributions for capital additions	1,917,007	1,694,120
Repayment of long-term debt	(5,865,000)	(5,580,000)
Net cash provided by financing activities	(3,947,993)	(3,885,880)
Net Increase/(Decrease) in Cash and Cash Equivalents	(21,434,061)	50,856,799
Cash and Cash Equivalents, Beginning	172,857,212	135,274,979
Cash and Cash Equivalents, Ending	\$ 151,423,151	\$ 186,131,778
Supplemental Disclosure of Cash Flow Information,		
Interest paid	\$ 3,684,000	\$ 3,968,708
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 146,750,678	\$ 180,328,553
Current portion of assets whose use is limited, under trust indenture	2,385,951	2,335,643
Assets whose use is limited, included in donor restricted	2,286,522	3,467,582
Total cash, cash equivalents and restricted cash and cash equivalents	\$ 151,423,151	\$ 186,131,778

Trinitas Regional Medical Center Obligated Group

Notes to Consolidated Financial Statements

September 30, 2021

(Unaudited)

1. Reporting Organizations

The consolidated financial statements include the accounts of Trinitas Regional Medical Center (the "Medical Center"), Marillac Corporation ("Marillac"), a wholly owned subsidiary of the Medical Center and Trinitas Physicians Practice, LLC.

Elizabeth General Medical Center and St. Elizabeth Hospital in 2000, merged to form Trinitas Hospital, a not-for-profit, tax-exempt, voluntary, acute health care provider located in Elizabeth, New Jersey. Trinitas Hospital officially changed its name to Trinitas Regional Medical Center as of October 2008. The Medical Center provides inpatient, outpatient, and emergency care services for local residents. Admitting physicians are primarily practitioners from the local area.

Marillac, a not-for-profit, tax-exempt corporation pursuant to Section 501(c)(3) of the Internal Revenue Code, owns and operates a medical office building in Elizabeth, New Jersey.

Trinitas Physicians Practice, LLC, (TPP, LLC) a New Jersey professional limited liability company (LLC), a for-profit taxable entity.

The sole member of the Medical Center is Trinitas Health (the "Parent"), a tax-exempt holding company. Both the Parent and the Medical Center are tax-exempt organizations, pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Medical Center is an affiliated member of the Parent, the controlling entity. Other affiliates of Trinitas Health include: Trinitas Healthcare Corporation, Trinitas Health Services Corporation and subsidiary, and Trinitas Health Foundation and Affiliate (the "Foundation"). Only the Medical Center's financial statements and its subsidiaries including Marillac and Trinitas Physicians Practice, LLC are presented herein. The Parent's affiliates, with the exception of Trinitas Health Services Corporation, are not-for-profit, tax-exempt organizations. Trinitas Health Services Corporation is a for-profit, taxable entity.

2. Presentation

The consolidated financial statements are unaudited and include all adjustments which are, in the opinion of Management, necessary for a fair presentation of the Obligated Group's financial position at September 30, 2021 and 2020, its result of operations and its changes in net assets and cash flows for the nine months ended September 30, 2021 and 2020 in conformity with accounting principles generally accepted in the United States of America. Certain information and footnote disclosures normally included in financial statements prepared in accordance with such accounting principles have been omitted.

These consolidated financial statements should be read in conjunction with Trinitas Regional Medical Center's audited consolidated financial statements and notes thereto for the years ended December 31, 2020.

3. Net Patient Service Revenue

Patient care service revenues are recognized at the amount that reflects the consideration to which the Medical Center expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including commercial and governmental programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Medical Center bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Trinitas Regional Medical Center Obligated Group

Notes to Consolidated Financial Statements

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(Unaudited)

Performance obligations are determined based on the nature of the services provided by the Medical Center. Revenue for performance obligations satisfied over time is recognized based on actual services incurred in relation to total expected (or actual) payments. The Medical Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Medical Center receiving inpatient acute care services. The Medical Center measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time are recognized when services are provided and the Medical Center does not believe it is required to provide additional services to the patient.

Generally, because all the Medical Center's performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption provided in Accounting Standard Codification ("ASC") 606-10-50-14(a) and, therefore, the Medical Center is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

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

The composition of the Medical Center's patient care service revenue by payor (which excludes state subsidies) for the nine months ended September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 63,108,807	\$ 58,003,219
Medicaid	61,483,385	51,219,609
Other third party payors	46,286,436	41,254,376
Self-pay and other	<u>1,699,074</u>	<u>4,137,237</u>
Total	<u>\$ 172,577,702</u>	<u>\$ 154,614,441</u>

The composition of patient care service revenue based on the Medical Center's lines of business (which excludes state subsidies) for the nine months ended September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Medical Center	\$ 162,170,505	\$ 144,968,525
Long-term care	4,903,771	5,563,321
Physicians practice	<u>5,503,426</u>	<u>4,082,595</u>
Total	<u>\$ 172,577,702</u>	<u>\$ 154,614,441</u>

Trinitas Regional Medical Center Obligated Group
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Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors are as follows:

- Medicare: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. Reimbursements for cost reimbursable items are received at tentative interim rates, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been settled by the Medicare fiscal intermediary through December 31, 2017.
- Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. Outpatient services are paid based on a cost reimbursement methodology. The Medical Center's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 2018.
- Other: Payment agreements with certain commercial managed care, Medicare and Medicaid managed care insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, or per diem, or discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Medical Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Medical Center. In addition, the contracts the Medical Center has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Medical Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Revenue received under third-party arrangements is subject to audit and retroactive adjustments. For the nine months ended September 30, 2021 and 2020, respectively, \$1,403,574 and \$1,974,939 was recorded as a positive transaction price adjustment in net patient service revenue in the consolidated statement of operations related to final settlements of prior year cost reports and other settlements.

Trinitas Regional Medical Center Obligated Group
Notes to Consolidated Financial Statements
September 30, 2021
(Unaudited)

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Medical Center also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Medical Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction prices including bad debts is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue including bad debts in the period of the change. For the nine months ended September 30, 2021 and 2020, revenue was increased by \$1,900,311 and \$469,682, respectively, due to changes in estimates of implicit price concessions for performance obligations satisfied in prior years.

Consistent with the Medical Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Medical Center has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Medical Center expects to collect based on its collection history with those patients.

The Medical Center disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors.

4. Healthcare Payment Proposals

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the accompanying financial statements; however, the possible future financial effects of this matter on the Medical Center, if any, are not presently determinable.

5. Advances from Medicare and CARES Act Stimulus Payments

The COVID-19 pandemic evolved rapidly in the State of New Jersey. In response to the pandemic, the Governor of New Jersey declared a state of emergency and was declared a national state of emergency. Although the number of diagnosed active cases in the tri-state area has significantly decreased by the end of September, the impact will continue to be felt for an extended period of time as providers continue to work toward bringing operations back.

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Notes to Consolidated Financial Statements
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(Unaudited)

The Medical Center received from Medicare advance payments in the amount of \$26,327,849 relating to the COVID-19 outbreak of which payback in the amount of \$15,051,131 is required within one year and is classified as current liabilities in advances from Medicare and the remaining balance is classified as non-current liabilities on the consolidated balance sheet.

In addition, the Medical Center received CARES Act Stimulus payments which are subject to certain reporting requirements concerning how the funds are applied and will be accounted for as a grant. The grant will be applied to operations and capital items separately and reflected in operations and changes in net assets, respectively, and these funds need to be applied by September 30, 2021.

	CARES Payments
Total CARES stimulus payments received in 2020	\$ 57,057,312
Total payments applied to operating revenue in 2020	(37,484,976)
Total payments applied to capital expenditures in 2020	(2,433,654)
Deferred revenue - CARES stimulus payments, as of December 31, 2020	17,138,682
Total CARES stimulus payments received in 2021	184,583
Total payments applied to operating revenue in 2021	(14,998,994)
Total payments applied to capital expenditures in 2021	(2,324,271)
Deferred revenue - CARES stimulus payments, as of June 30, 2021	\$ -

Lastly, the Medical Center is evaluating and pursuing various grants and insurance recoveries including Business Interruption and Federal Emergency Management Agency (FEMA). The outcomes of these recoveries are not determinable at this time.

6. Subsequent Events

The Medical Center evaluated subsequent events for recognition or disclosure through November 11, 2021, the date the financial statements were available to be issued.

7. New Accounting Pronouncements

Revenue Recognition

In 2018, the Medical Center adopted the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements.

Trinitas Regional Medical Center Obligated Group
Notes to Consolidated Financial Statements
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(Unaudited)

The most significant impact of adopting the new standard is within the consolidated statements of operations. Certain patient activity where collections was uncertain, previously included as net patient service revenue and separately recorded as the provision for bad debts, no longer meets the criteria for revenue recognition. Accordingly, net patient service revenue has been reduced by the amounts previously reported as the provision for bad debts and accordingly the provision for bad debts has been eliminated. Such patient activity, previously reported as the provision for bad debts (representing approximately \$12.4 million and \$14.3 million for the nine months ended September 30, 2021 and 2020, respectively) is now classified as an implicit price concession. In addition, the Medical Center eliminated the related presentation of the allowance for doubtful accounts on the consolidated balance sheet as a result of the adoption of the new standard.

8. Liquidity and Availability

As of September 30, 2021 and 2020, financial assets available for general expenditure within one year of the balance sheet date, consists of the following:

Financial assets available for general expenditures within one year of the balance sheet date, consists of the following:

	2021	2020
Cash and cash equivalents	\$ 146,750,678	\$ 180,328,553
Accounts receivable, net	25,651,007	24,533,988
Investments	36,793,184	34,919,392
Assets limited to use:		
Board-designated	127,030,284	117,707,708
Total	\$ 336,225,153	\$ 357,489,641

The Medical Center has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Medical Center has other assets limited to use for donor-restricted purposes, debt service, and for other internally designated funds.

As part of the Medical Center's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and US Treasury money market funds. The board of trustees established a funded depreciation account for future capital needs of the Medical Center; these funds may be drawn upon, if necessary, to meet unexpected liquidity needs.

At September 2021, the Medical Center did not renew the line of credit. At September 2020, \$5,000,000 remained available on the Medical Center's line of credit.

Trinitas Regional Medical Center Obligated Group
Notes to Consolidated Financial Statements
September 30, 2021
(Unaudited)

9. Right-of-Use Operating Leases

The Medical Center has operating leases for equipment leases which are for medical equipment to provide medical services and for real estate leases which are for administrative office space and space to provide outpatient medical services. For the equipment leases, the equipment will be returned to the lessor at the end of the respective leases. The leases have remaining lease terms of 1 year to 10 years, some of which include options to extend the leases for up to 5 years.

For the nine months ended September 30, 2021, the components of the leases were as follows:

	Equipment Leases	Real Estate Leases	Total
Operating lease expense	\$ 1,141,104	\$ 1,581,754	\$ 2,722,858

For the nine months ended September 30, 2021, supplemental cash flow information related to leases was as follows:

	Equipment Leases	Real Estate Leases	Total
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 1,185,848	\$ 1,574,430	\$ 2,760,278

As of September 30, 2021, supplemental balance sheet information related to leases was as follows:

	Equipment Leases	Real Estate Leases	Total
Operating Leases			
Right-of-use assets	<u>\$ 2,890,316</u>	<u>\$ 4,493,685</u>	<u>\$ 7,384,001</u>
Other liabilities	\$ -	\$ 9,765	\$ 9,765
Operating lease obligations	<u>2,890,316</u>	<u>4,483,920</u>	<u>7,374,236</u>
Lease liabilities	<u>\$ 2,890,316</u>	<u>\$ 4,493,685</u>	<u>\$ 7,384,001</u>
Weighted Average Remaining Lease Term			
Operating leases	2.81 years	4.15 years	3.52 years
Weighted Average Discount Rate			
Operating leases	5.94%	5.87%	5.90%

As of September 30, 2021, maturities of lease liabilities were as follows:

	Equipment Leases	Real Estate Leases	Total
Year Ending December 31,			
2021 (9 months)	\$ 1,185,848	\$ 1,574,430	\$ 2,760,278
2022	1,264,212	1,404,951	2,669,163
2023	1,118,135	1,092,173	2,210,308
2024	1,037,602	940,427	1,978,029
2025	131,011	836,874	967,885
Thereafter	-	1,558,367	1,558,367
Total lease payments	<u>4,736,808</u>	<u>7,407,222</u>	<u>12,144,030</u>
Less imputed interest	<u>(1,846,492)</u>	<u>(2,913,537)</u>	<u>(4,760,029)</u>
Total	<u>\$ 2,890,316</u>	<u>\$ 4,493,685</u>	<u>\$ 7,384,001</u>

Trinitas Regional Medical Center Obligated Group

Notes to Consolidated Financial Statements

September 30, 2021

(Unaudited)

10. Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Medical Center. These expenses include depreciation, interest and amortization, administration, communications, media production, information technology, and facilities operations and maintenance. Depreciation is allocated based on square footage and interest is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort.

Functional expenses for the nine months ended September 30, 2021

	Healthcare Services	Medical Office Building	General and Administrative	Total
Salaries and wages	\$ 92,978,722	\$ -	\$ 13,409,728	\$ 106,388,450
Employee benefits	19,877,491	-	2,260,660	22,138,151
Supplies and other	73,596,775	682,639	20,241,854	94,521,268
Depreciation	8,130,095	290,539	1,094,114	9,514,748
Interest and amortization	1,710,591	-	231,235	1,941,826
Total	\$ 196,293,673	\$ 973,178	\$ 37,237,592	\$ 234,504,443

Functional expenses for the nine months ended September 30, 2020

	Healthcare Services	Medical Office Building	General and Administrative	Total
Salaries and wages	\$ 92,127,906	\$ -	\$ 13,687,502	\$ 105,815,408
Employee benefits	22,526,873	-	3,346,833	25,873,706
Supplies and other	68,596,369	654,197	18,713,751	87,964,317
Depreciation	7,079,847	280,667	951,906	8,312,420
Interest and amortization	1,722,089	-	232,789	1,954,878
Total	\$ 192,053,084	\$ 934,864	\$ 36,932,781	\$ 229,920,729

11. Charity Care and Subsidy Revenue

The Medical Center receives subsidy payments from the State of New Jersey to partially fund charity care and certain other program costs. Subsidy payments included in other revenue for the nine months ended September 30, 2021 and 2020 are as follows:

	2021	2020
Charity care	\$ 24,252,709	\$ 22,021,355
Delivery System Reform Incentive Payment (DSRIP)	-	5,359,575
Quality Improvement Plan (QIP)	6,006,894	-
Mental health	1,358,634	1,358,634
Total	\$ 31,618,237	\$ 28,739,564

Trinitas Regional Medical Center Obligated Group

Notes to Consolidated Financial Statements

September 30, 2021

(Unaudited)

The Delivery System Reform Incentive Payment (DSRIP) program has been replaced by the Quality Improvement Plan (QIP) program on July 1, 2020. For the nine months ended September 30, 2021 and 2020, incentive payments in the amounts of \$6,006,894 and \$5,359,575, respectively, were recognized in other revenue in the consolidated statement of operations. The Medical Center amortizes the DSRIP and QIP incentive payments on a calendar year basis.

The Medical Center, as part of its mission, provides medical care without charge or at reduced charges to residents of its community through the provision of charity care. The Medical Center's definition of charity care is in accordance with state regulations and includes services provided at no or partial charge to the uninsured or underinsured.

Patients who meet the State of New Jersey's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. For the nine months ended September 30, 2021 and 2020, charges for charity care rendered were \$91,279,902 and \$75,728,143, respectively.

12. Long-term Debt

The Medical Center has outstanding New Jersey Health Care Facilities Financing Authority (the "Authority") tax exempt Refunding and Revenue Bonds, Series 2016A (the "Series 2016A Bonds"), bearing interest at 5 percent per annum. The initial \$13,810,000 in proceeds from the sale of the Series 2016A Bonds were used to refund Series 2006 Bonds and pay for debt issuance costs. The principal amounts are payable annually on July 1, and interest is payable semiannually on January 1 and July 1 through 2030. The Series 2016A Bonds are collateralized by substantially all of the Obligated Group's property and equipment and gross receipts.

The Medical Center has outstanding Authority Refunding Bonds, Series 2017A (the "Series 2017A Bonds"), bearing interest at 5 % per annum. The initial \$82,970,000 in proceeds from the sale of the Series 2017A Bonds combined with the debt service reserve funds released by the trustee relating to the Series 2007A Bonds and Series 2007B Bonds were used to refund Series 2007A Bonds and Series 2007B Bonds and pay debt issuance costs. The principal amounts are payable annually on July 1, and interest is payable semiannually on January 1 and July 1 through 2030. The Series 2017A Bonds are collateralized by substantially all of the Obligated Group's property and equipment and gross receipts.

13. Cogeneration Energy Project

The Medical Center received final approval from the Energy Resilience Bank ("ERB"), for a plant electrical and steam generation project. The project provides additional energy production which will be powered by natural gas during prolonged electrical outages. The project has an estimated cost of \$10.3 million. The financing of the project consists of a combination of grants for \$6.8 million and a loan from the Department of Housing and Urban Development ("HUD") for approximately \$3.5 million at 2% payable over 20 years. A portion of the grants, approximately \$745,000, has to be repaid over ten years, interest free. Final construction and engineering costs were finalized and approved by ERB and HUD and the transaction closed during the first quarter of 2019 and construction began in the last quarter of 2020. The debt and grants have been drawn down as construction occurs and there is no interest charged during the construction period. Upon the completion of the project, the loan will be finalized and payment amortization will begin. At September 30, 2021 and 2020, project costs in the amount of \$9,654,106 and \$583,924 were reflected in property and equipment, net, \$5,536,569 and \$0 were reflected in deferred revenue and \$4,117,537 and \$583,924 were reflected in accounts payable and accrued expenses, respectively, on the consolidated balance sheet.

Trinitas Regional Medical Center Obligated Group

Notes to Consolidated Financial Statements

September 30, 2021

(Unaudited)

14. Administrative Services Building Project

In June of 2019, the Medical Center signed various agreements with a developer. The developer in 2021 has obtained the necessary regulatory approvals and financing for the project. The project includes the demolition of the existing Administration Services Building and construction of an approximately 46,000 rentable square feet (RSF) Medical Office building, to be owned by the developer or designee. Further the Medical Center entered into agreements with the developer for a ground lease, medical office space lease and the construction of a parking garage. The ground lease covers a term of 50 years, .6455 of an acre and annual rental income of \$47,004, indexed by annual increases of 2.5% for the first ten years then adjusted to market value. The medical office space lease key terms are for a term of 15 years, for approximately 18,000 RSF, at \$25.35 RSF indexed by annual increases of 2.5% plus operating expenses and fit out costs. In May of 2020, the Medical Center entered into additional agreements with the developer for medical office space lease. The additional medical office space lease key terms are for a term of 15 years, for approximately 14,000 RSF, indexed by annual increases of 2.5% plus operating expenses and fit out costs. At the commencement date, (completion of construction) a final determination will be made to determine the accounting for the leases. The expected completion date is 12 to 18 months.

Lastly, the project includes a parking garage construction contract for a four story, 300 spaces garage for \$10,450,000 which will be owned by the Medical Center. At September 30, 2021, the Medical Center has incurred construction costs of \$3,586,233 related to the parking garage, which are included within construction in progress in property and equipment, net, on the consolidated balance sheet.

15. Discussions With RWJ Barnabas

The Medical Center has engaged in affiliation negotiations with RWJ Barnabas Health, Inc. (the "Corporation") located in West Orange, New Jersey. In November 2020, the Medical Center and the Corporation signed a Definitive Agreement. The Agreement has been approved by the State, Federal and the Catholic Church authorities. It is anticipated that the transaction with the Corporation will be completed in January 2022.

16. Flood Damages

On September 1, 2021, as a result of the effects of Hurricane Ida, the Medical Center sustained flood damage to a portion of its property, The Medical Center has diligently taken steps of filing insurance claims and is currently assessing the extent of the damage. It is too early to determine the ultimate cost of clean-up and repairs or any potential write-off of the net carrying value of impacted assets. In addition, the amount of the actual insurance claim for replacement value cannot be determined at this time. The damage did not materially adversely impact the Medical Center's operations.

**TRINITAS REGIONAL MEDICAL CENTER
SEPTEMBER 30, 2021 AND 2020
INPATIENT STATISTICS**

	2021 ACTUAL TOTAL	2020 ACTUAL TOTAL
ADMISSIONS		
MEDICAL	3,241	3,264
SURGICAL	949	761
OBSTETRICS	894	915
NEWBORN	862	894
ADULT & ED PSYCH	929	1,061
ADOLESCENT PSYCH	258	233
DEVELOP DISABLED	94	165
	<u>7,227</u>	<u>7,293</u>
SAME DAY SURGERY	2,447	1,930
	<u>9,674</u>	<u>9,223</u>
INTERMEDIATE PSYCH	106	92
RESIDENTIAL UNIT	18	8
LONG TERM CARE	92	111
	<u>216</u>	<u>211</u>
PATIENT DAYS		
MEDICAL	18,705	21,083
SURGICAL	9,229	7,382
OBSTETRICS	2,491	2,334
NEWBORN	2,571	2,435
ADULT & ED PSYCH	9,015	10,589
ADOLESCENT PSYCH	2,414	2,322
DEVELOP DISABLED	1,350	2,103
	<u>45,775</u>	<u>48,248</u>
SAME DAY SURGERY	2,447	1,930
	<u>48,222</u>	<u>50,178</u>
INTERMEDIATE PSYCH	6,301	5,274
RESIDENTIAL UNIT	3,765	3,858
LONG TERM CARE	25,046	28,066
	<u>35,112</u>	<u>37,198</u>
ALOS		
MEDICAL	5.8	6.5
SURGICAL	9.7	9.7
OBSTETRICS	2.8	2.6
NEWBORN	3.0	2.7
ADULT & ED PSYCH	9.7	10.0
ADOLESCENT PSYCH	9.4	10.0
DEVELOP DISABLED	14.4	12.7
TOTAL W/O SDS	<u>6.3</u>	<u>6.6</u>
INTERMEDIATE PSYCH	59.4	57.3
RESIDENTIAL UNIT	209.2	482.3
LONG TERM CARE	272.2	252.8
	<u>162.6</u>	<u>176.3</u>
CARDIAC CATH LAB I/P		
CARDIAC CATHS	191	166
EMERGENCY ANGIO	30	27
ELECTIVE ANGIO	56	67
OTHER	77	92
TOTAL	<u>354</u>	<u>352</u>

**TRINITAS REGIONAL MEDICAL CENTER
SEPTEMBER 30, 2021 AND 2020
OUTPATIENT STATISTICS**

	2021 ACTUAL YTD	2020 ACTUAL YTD
EMERGENCY ROOM		
NEWPOINT-PSYCH O/P VISITS	933	926
WILLIAMSON O/P VISITS	29,798	27,676
TOTAL O/P	<u>30,731</u>	<u>28,602</u>
NEWPOINT ADMISSIONS	969	1,100
WILLIAMSON ADMISSIONS	3,893	3,714
TOTAL ADMISSIONS	<u>4,862</u>	<u>4,814</u>
% Total ADMISSIONS FROM ER	67.28%	66.01%
TOTAL EMERGENCY ROOM VISITS	<u>35,593</u>	<u>33,416</u>
OBSERVATION		
WSC OBSERVATION CASES	2,602	2,109
NPC OBSERVATION CASES	91	95
TOTAL OBSERVATION	<u>2,693</u>	<u>2,204</u>
CLINICS		
ADULT OP SERVICES	42,358	38,753
PC (PARTIAL HOSP) SERVICES	1,731	2,480
CHILD/ADOL OP SERVICES	25,598	19,763
YIP (AFTER SCHOOL)	1,901	3,166
IOP SERVICES	1,437	1,483
OTHER CHILD/ADOL SERVICES	25,325	24,096
BAYONNE MH CLINIC	16,469	13,955
TOTAL PSYCH CLINICS	<u>114,819</u>	<u>103,696</u>
D.B.HERSH CLINIC	6,112	5,147
PEDIATRIC HEALTH CENTER	4,573	4,147
WOMENS HEALTH CENTER	12,463	11,969
WOUND HEALING CENTER	2,894	2,195
MEDICAL CLINIC (EID)	2,563	1,957
TOTAL MEDICAL CLINICS	<u>28,605</u>	<u>25,415</u>
TOTAL CLINICS	<u>143,424</u>	<u>129,111</u>
CANCER CENTER		
OFFICE VISITS	5,141	3,689
INFUSION TREATMENTS	4,320	4,520
RADIATION TREATMENTS	2,704	2,534
CANCER CENTER TOTAL	12,165	10,743
PRIVATE AMBULATORY		
SLEEP CENTER	680	542
OTHER PRIVATE REFERRED (1)	42,539	30,103
TOTAL PRIVATE AMBULATORY	43,219	30,645
O/P RENAL TREATMENTS		
O/P HEMODIALYSIS	14,215	14,317
HOME DIALYSIS	2,630	2,138
CRANFORD RENAL	3,329	1,870
LINDEN SATELLITE	7,304	8,929
TOTAL RENAL TREATMENTS	<u>27,478</u>	<u>27,254</u>
AMBULANCE RUNS	3,504	3,292
SCTU RUNS	78	169
MICU RUNS	2,105	1,884
SDS (FROM IP SCHEDULE)	2,447	1,930
TOTAL O/P VISITS (INCLUDING SDS)	<u>267,844</u>	<u>235,834</u>
PAID PHYSICIAN ENCOUNTERS	102,403	93,842
COVID VACCINATIONS	25,650	0
CARDIAC CATH LAB O/P		
CARDIAC CATHS	271	250
ELECTIVE ANGIOPLASTY	63	59
OTHER	114	90
TOTAL	<u>448</u>	<u>399</u>

Trinitas Regional Medical Center Obligated Group
 Debt Service Calculation Certificate
 (Twelve Month Rolling Average)
 (Unaudited)

	September 2021
Funds Available for Debt Service	
Net increase in unrestricted net assets	\$ 24,800,968
Reconciling items:	
Depreciation	12,124,848
Interest and amortization	2,624,385
Net assets released from restrictions used for purchase of property and equipment	(2,731,481)
CARES Act stimulus payments - capital	(3,296,547)
Change in net unrealized gains and losses on investments	(2,922,449)
Total	\$ 30,599,724
Maximum annual debt service	\$ 9,605,847
Actual ratio	3.19
Required ratio	1.25

Trinitas Regional Medical Center Obligated Group

Cushion Ratio Calculation Certificate

(Twelve Month Rolling Average)

(Unaudited)

	September 2021
Cushion Ratio	
Cash and investments	\$ 192,604,433
Internally designated funds	125,365,539
Total	<u>\$ 317,969,972</u>
Maximum annual debt service	
Series 2016A and 2017A bonds payable	\$ 9,549,000
Loan payable	56,847
Total maximum annual debt service	<u>\$ 9,605,847</u>
Cushion ratio	33.10
Required ratio	1.25