Trinitas Regional Medical Center

Consolidated Financial Statements

December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Trustees of
Trinitas Regional Medical Center

Opinion

We have audited the consolidated financial statements of Trinitas Regional Medical Center (the Medical Center), (an affiliate of Trinitas Health) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Medical Center as of December 31, 2021 and 2020, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Iselin, New Jersey
April 18, 2022

Assets	2021	2020
Current Assets		
Cash and cash equivalents	$ 144,162,365	$ 165,474,120
Assets whose use is limited	4,771,075	4,760,013
Patient accounts receivable	27,804,377	23,385,715
Other receivables	4,704,449	3,435,564
Other current assets	6,296,923	6,580,172
Total current assets	187,739,189	203,635,584
Assets Whose Use is Limited and Investments		
Assets whose use is limited:		
Internally designated	144,662,068	136,872,541
Donor restricted	3,546,918	4,239,737
Investments	37,263,498	36,004,190
Total assets whose use is limited and investments, net of current	185,472,484	177,116,468
Beneficial Interest in Net Assets of Trinitas Health Foundation	14,881,804	11,588,452
Property and Equipment, Net	108,027,669	92,912,378
Right to Use Assets	7,108,358	9,029,306
Other Assets	9,229,956	9,278,779
Total assets	$ 512,459,460	$ 503,560,967

Liabilities and Net Assets	2021	2020
Current Liabilities		
Current portion of long-term debt	$ 6,150,000	$ 5,865,000
Current portion of operating lease obligation	2,330,444	2,421,734
Accounts payable and accrued expenses	29,445,693	30,590,549
Deferred revenue, CARES Act stimulus payments	-	17,138,682
Deferred revenue	23,691,281	3,488,766
Accrued bond interest payable	1,695,375	1,842,000
Accrued salaries and wages	2,938,921	2,374,358
Advances from Medicare	17,956,633	8,400,754
Estimated settlements with third-party payors	4,935,081	6,324,644
Total current liabilities	89,143,428	78,446,487
Estimated Settlements With Third-Party Payors	52,601,119	51,856,561
Long-Term Debt	67,277,486	74,575,394
Operating Lease Obligations	4,777,914	6,607,572
Advances From Medicare	-	17,927,095
Other Long-Term Liabilities	28,527,919	27,152,582
Total liabilities	242,327,866	256,565,691
Net Assets		
Without donor restrictions	251,702,867	231,167,082
With donor restrictions	18,428,727	15,828,194
Total net assets	270,131,594	246,995,276
Total liabilities and net assets	$ 512,459,460	$ 503,560,967

See notes to consolidated financial statements

Trinitas Regional Medical Center

Consolidated Statements of Operations
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues		
Net patient service revenue	$ 230,653,000	$ 207,994,210
Other revenue	76,477,235	66,786,334
CARES Act stimulus revenue, operations	16,258,676	37,484,976
Net assets released from restrictions used for operations	700,761	1,200,753
Total revenues	324,089,672	313,466,273
Expenses		
Salaries and wages	144,195,759	140,747,244
Employee benefits	28,627,765	37,421,155
Supplies and other	128,872,045	118,540,814
Depreciation	11,566,141	10,922,520
Interest	2,400,837	2,637,437
Total expenses	315,662,547	310,269,170
Operating income	8,427,125	3,197,103
Nonoperating Gains		
Interest, dividends and other	2,540,222	3,466,812
Net realized gains on investments	4,715,457	2,445,764
Change in unrealized gains on investments	(601,004)	3,875,557
Total nonoperating gains	6,654,675	9,788,133
Revenues in excess of expenses	15,081,800	12,985,236
Net Assets Released From Restrictions Used for Purchase of Property and Equipment	3,129,714	2,508,594
CARES Act Stimulus Revenue, Capital	2,324,271	2,433,654
Increase in net assets without donor restrictions	$ 20,535,785	$ 17,927,484

See notes to consolidated financial statements

	2021	2020
Change Net Assets Without Donor Restrictions		
Revenues in excess of expenses	$ 15,081,800	$ 12,985,236
CARES Act Stimulus Revenue, Capital	2,324,271	2,433,654
Net assets released from restrictions used for purchase of property and equipment	3,129,714	2,508,594
Increase in net assets without donor restrictions	20,535,785	17,927,484
Change in Net Assets With Donor Restrictions		
Contributions	3,189,802	2,663,409
Restricted investment income, net	(52,146)	85,647
Net assets released from restrictions	(3,830,475)	(3,709,345)
Change in beneficial interest in net assets of Trinitas Health Foundation	3,293,352	3,492,187
Increase in net assets with donor restrictions	2,600,533	2,531,898
Increase in net assets	23,136,318	20,459,382
Net Assets, Beginning	246,995,276	226,535,894
Net Assets, Ending	$ 270,131,594	$ 246,995,276

See notes to consolidated financial statements

Trinitas Regional Medical Center

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	$ 23,136,318	$ 20,459,382
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	11,566,141	10,922,520
Lease expense	3,658,133	3,865,313
Loss from disposal of fixed assets	726,094	-
Change in right-of-use asset and lease obligation, net	47,089	(99,152)
Debt forgiveness	(11,370)	(11,370)
Amortization of deferred bond premium	(1,203,286)	(1,296,560)
Amortization of deferred financing costs	66,748	71,953
Operating lease payments	(3,705,222)	(3,766,161)
Restricted contributions for capital additions	(3,129,714)	(2,508,594)
Change in net unrealized gains on investments	601,004	(3,875,557)
Net realized gains on investments	(4,715,457)	(2,445,764)
Change in beneficial interest in net assets of Trinitas Health Foundation	(3,293,352)	(3,492,187)
Change in assets and liabilities:		
Patient accounts receivable	(4,418,662)	8,347,765
Other receivables	(1,268,885)	(214,953)
Other assets and other current assets	332,072	(1,265,409)
Accounts payable and accrued expenses	(1,144,856)	5,850,834
Deferred revenue, CARES Act stimulus payments	(17,138,682)	17,138,682
Deferred revenue	20,202,515	(4,111,148)
Accrued bond interest payable	(146,625)	(139,500)
Accrued salaries and wages	564,563	(4,645,371)
Advances from Medicare, contract liability	(8,371,216)	19,865,639
Other long-term liabilities	1,375,337	5,571,018
Estimated settlements with third-party payors	(645,005)	(5,358,164)
Net cash provided by operating activities	13,083,682	58,863,216
Cash Flows From Investing Activities		
Acquisition of property and equipment	(27,407,526)	(18,030,065)
Purchases of investments and assets whose use is limited, net	(4,839,158)	(6,641,722)
Net cash used in investing activities	(32,246,684)	(24,671,787)
Cash Flows From Financing Activities		
Restricted contributions for capital additions	3,129,714	2,508,594
Advances from Medicare, repayment liability	-	6,462,210
Repayments of long-term debt	(5,865,000)	(5,580,000)
Net cash (used in) provided by financing activities	(2,735,286)	3,390,804
Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	(21,898,288)	37,582,233
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	172,857,212	135,274,979
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 150,958,924	$ 172,857,212
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 3,684,000	$ 3,970,167
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 144,162,365	$ 165,474,120
Current portion of assets whose use is limited, under trust indenture	4,771,075	4,760,013
Assets whose use is limited, included in donor restricted	2,025,484	2,623,079
Total cash, cash equivalents and restricted cash and cash equivalents	$ 150,958,924	$ 172,857,212

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Reporting Organizations

Effective January 1, 2022, all necessary approvals have been obtained and the Trinitas Regional Medical Center (the Medical Center) underwent a change of control as a result of a member substitution resulting in RWJ Barnabas Health, Inc., a not-for-profit, tax-exempt holding corporation, becoming the sole member of the Medical Center and its affiliates and subsidiaries.

The consolidated financial statements include the accounts of 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, a New Jersey professional limited liability corporation (LLC), is a for-profit taxable entity.

As of December 31, 2021 the sole member of the Medical Center is Trinitas Health (the Parent), a tax-exempt holding corporation. 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 Health Care Corporation, Trinitas Health Services Corporation and subsidiary and Trinitas Health Foundation and Affiliate (the Foundation). Only the Medical Center's consolidated 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.

Basis of Accounting and Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents and restricted cash and cash equivalents include certain investments in highly liquid debt investments purchased with an original maturity of three months or less, excluding investments. Restricted cash and cash equivalents include assets whose use is limited restricted from trust indenture and donors.

Patient Accounts Receivable

Patient accounts receivable are recorded at net realizable value at the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the Medical Center's policies and/or implicit price concessions provided to uninsured or underinsured patients and do not bear interest. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient revenue in the period of the change.

Other Receivables

Other receivables include grant revenue receivables and various other receivables, which are reported at net realizable value.

Inventories

Inventories, which are included in other current assets in the Medical Center's consolidated balance sheets, are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Investments and Investment Risk

Investments in equity and debt securities are measured at fair value. Cash and cash equivalents are carried at cost which approximates fair value. Donated investments are recorded at fair value at the date of receipt.

Investment income or loss (including unrealized and realized gains and losses on investments, interest and dividends) is included in the determination of revenues in excess of expenses. Gains and losses on sales of investment assets are determined using the average-cost method. Donor-restricted investment income is reported as an increase in net assets with donor restriction.

The Medical Center's investments are comprised of a variety of financial instruments. The Medical Center utilizes an independent advisor to monitor and evaluate two investment managers.
The Medical Center's investments are held by an independent custodian and marked to market daily. In April 2022, the Medical Center is in the process of liquidating its investments, which is not expected to have a significant impact on its financial position.

The fair values reported in the consolidated balance sheets are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under bond indenture agreements, assets set aside under deferred compensation plans, assets of donor-restricted funds and designated assets set aside by the Board of Trustees and management for future use.

Property and Equipment

Property and equipment acquisitions are recorded at cost, except donated assets which are recorded at fair market value at the date of donation. Depreciation expense is calculated on a straight-line basis for all depreciable assets, based upon the following estimated useful lives of the assets:

	Years
Land improvements	10 - 25
Buildings and improvements	10 - 40
Fixed equipment	10 - 15
Major movable equipment	5 - 15

Gifts of long-lived assets such as land, buildings or equipment are reported as net assets without restriction, 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 donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Other Assets

Other assets include insurance recovery receivable and split-dollar life insurance receivable.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Medical Center's consolidated balance sheets at net realizable value.

Deferred Financing Costs

Deferred financing costs consist principally of debt acquisition costs that are being amortized using the effective interest method over the life of the related debt. These costs are reported in the consolidated balance sheets as a reduction of the related debt. Amortization expense is reported as a component of interest expense in the consolidated statements of operations. Amortization expense for the years ended December 31, 2021 and 2020 was $66,748 and $71,953, respectively. Accumulated amortization at December 31, 2021 and 2020 was $337,866 and $404,614, respectively.

Other Liabilities

Other long-term liabilities include deferred compensation, postretirement benefits, estimated medical malpractice costs and deferred revenue.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Medical Center has been limited by donors to a specific time period or purpose and are available for use by the Medical Center, as specified by the donor, for capital acquisitions, research and education. Certain net assets with donor restrictions are required to be maintained by the Medical Center in perpetuity. The income, including gains and losses, earned on these funds is primarily classified as net assets without donor restrictions.

Revenues in Excess of Expenses and Measure of Operations

The consolidated statements of operations and changes in net assets includes the determination of revenues in excess of expenses. The revenues in excess of expenses includes net assets released from restrictions used for operations and excludes net assets released from restrictions for property and equipment and CARES act stimulus revenue used to acquire property and equipment.

For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as operating income.

Revenue Recognition

Revenue is recognized in the period services are performed and performance obligations are satisfied and consists primarily of net patient service revenue (Note 4). Net patient service revenue relates to amounts due from patients, third-party payors and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audits, reviews and investigations.

Accounting for Uncertainty in Income Taxes

The Medical Center accounts for uncertainty in income taxes recognized in the consolidated financial statements using a recognition threshold of more-likely-than-not as to whether the uncertainty will be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold.

Advertising Costs

Advertising costs, which pertain mainly to marketing and public relations, are expensed as incurred. Advertising expense was $517,450 in 2021 and $561,649 in 2020.

Subsequent Events

The Medical Center evaluated subsequent events for recognition or disclosure through April 18, 2022, the date the consolidated financial statements were issued.

2. Liquidity and Availability

As of December 31, financial assets available for general expenditure within one year of the balance sheet date, consists of the following:

	2021	2020
Cash and cash equivalents	$ 144,162,365	$ 165,474,120
Patient accounts receivable, net	27,804,377	23,385,715
Investments	37,263,498	36,004,190
Assets limited to use, internally designated	129,016,652	122,891,873
Total	$ 338,246,892	$ 347,755,898

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 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.

3. COVID-19 Pandemic and the CARES Act Advances From Medicare and Stimulus Payments

COVID-19

In March 2020, the World Health Organization declared a novel strain of coronavirus, SARS-CoV-2 and the resulting disease, COVID-19, a pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, healthcare providers and businesses and communities. The impact of the COVID-19 pandemic is reflected in the Medical Center's 2021 and 2020 consolidated financial statements.

The future extent of the impact of the COVID-19 pandemic on the Medical Center's operational and financial performance depends on certain developments, including the federally funded rollout of vaccinations, future government stimulus, additional sanitization and personal protective equipment costs, the wellness of the Medical Center's workforce and the COVID-19 pandemic's impact on future patient volumes, among other developments, all of which are uncertain at this time.

Advances From Medicare

In response to the COVID-19 pandemic, the United States government passed the Coronavirus Aid, Relief and Economic Security (CARES) Act, which included provisions to expand the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In 2020, the Medical Center received $26,327,849 in advance payments under this program. Repayment of the advances to the government is scheduled to begin one year after receipt of the advances and end 29 months later, at which time the advances are required to be repaid in full or any remaining outstanding amounts will be subject to interest at 4 percent. The Medical Center had begun to repay the Medicare advances during April 2021. The repayments are expected to continue to occur automatically through a partial reduction in Medicare payments due to the Medical Center for services rendered to Medicare program beneficiaries. The current portion of the payment liability represents the amount the Medical Center believes will be repaid in 2022 and 2021 based on an estimate of Medicare claims using historical information. The portion of the advance payments which are expected to be applied towards future Medicare patient insurance claims are included within cash flows from operating activities and the portion of advance payments which are expected to be repaid to CMS in total by September 2022 are included within the cash flows from financing activities on the consolidated statement of cash flows, respectively.

Stimulus Payments

The CARES Act also created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. In accordance with the terms and conditions in place at December 31, 2021 and 2020, the Medical Center could apply the funding against eligible expenses and then lost revenues. The Medical Center's methodology for calculating lost revenues was the difference between 2020 budgeted patient care revenue and 2020 and 2021 actual patient care revenue.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated PRF payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these consolidated financial statements were issued. In addition, it's unknown whether there will be further developments in the regulatory guidance. The Medical Center accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-605 guidance for conditional contributions and accordingly, revenues are recognized when barriers are substantially met, which occurs when the Medical Center complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature. The Medical Center measures the PRF amounts recognized in accordance with FASB ASC 606 for variable consideration, including constraints of variable consideration, and accordingly, revenue is measured at amounts for which it is probable that there will not be a significant reversal in a future period.

The Medical Center has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the PRF that were applicable as of December 31, 2021 and 2020. Revenue recognized for the PRF payments for eligible expenditures were applied separately to operations and capital items and are reflected as such in operations and nonoperating revenue, respectively. PRF payments applied towards lost revenues were reflected within operations. As of December 31, 2021 and 2020, the Medical Center's consolidated financial statements reflect the following in regards to the recognition of the PRF stimulus payments received and the PRF revenue recognized:

	2021
Deferred revenue, CARES stimulus payments, 12/31/20	$ 17,138,682
Total CARES stimulus payments received, 12/31/21	1,444,265
Total payments applied to operating revenue	(16,258,676)
Total payments applied to capital expenditures	(2,324,271)
Deferred revenue, CARES Act stimulus payments, 12/31/21	$ -

	2020
Total CARES stimulus payments received, 12/31/20	$ 57,057,312
Total payments applied to operating revenue	(37,484,976)
Total payments applied to capital expenditures	(2,433,654)
Deferred revenue, CARES Act stimulus payments	$ 17,138,682

Lastly, the Medical Center is evaluating and pursuing various grants and insurance recoveries including Business Interruption, Federal Emergency Management Agency (FEMA) and workman's compensation. The outcomes of these recoveries were not determinable at December 31, 2021 and 2020. In March of 2022, $3.8 million was received from FEMA for unreimbursed COVID-19 expenses.

4. Net Patient Service Revenue

Net patient service revenue is recognized at the amount that reflects the consideration to which the Medical Center expects to be entitled 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.

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 net patient care service revenue by payor (which excludes state subsidies) for the years ended December 31 is as follows:

	2021	2020
Medicare	$ 82,994,214	$ 82,522,321
Medicaid	85,749,748	67,645,002
Other third-party payors	59,711,055	55,038,682
Self-pay and other	2,197,983	2,788,205
Total	$ 230,653,000	$ 207,994,210

The composition of patient care service revenue based on the Medical Center's lines of business (which excludes state subsidies) for years ended December 31 is as follows:

	2021	2020
Medical Center	$ 217,059,905	$ 194,707,767
Long-term care	6,197,604	7,323,554
Physicians practice	7,395,491	5,962,889
Total	$ 230,653,000	$ 207,994,210

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. As of December 31, 2021, 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. As of December 31, 2021, 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 years ended December 31, 2021 and 2020, net patient service revenue on the consolidated statements of operations includes favorable transaction price adjustments in the amounts of $3,179,339 and $3,197,103, respectively, related to final settlements of prior year cost reports and other settlements.

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 years ended December 31, 2021 and 2020, revenue was increased by $1,973,507 and $326,740, 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 implicit price concessions, which effectively reduce net patient service revenue, for the years ended December 31, 2021 and 2020, were $17,000,908 and $18,555,270, respectively.

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.

5. Subsidy Payments and Charity Care

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 years ended December 31, are as follows:

	2021	2020
Charity care	$ 32,913,931	$ 29,817,099
DSRIP	-	6,939,397
QIP	7,312,684	-
Mental health	1,811,512	1,811,512
Total	$ 42,038,127	$ 38,568,008

The Delivery System Reform Incentive Payment (DSRIP) and Quality Improvement Plan (QIP) includes incentives that are subject to achieving certain measurable and incremental clinical outcomes and results that demonstrate an impact on improving the health care system.

The DSRIP program ended on June 30, 2020 and was replaced with the Quality Improvement Program in July of 2020. The allocations of subsidy payments to the Medical Center are subject to change from year to year based on available state budget amounts and allocation methodologies.

For the years ended December 31, 2021 and 2020, incentive payments in the amounts of $7,312,684 and $6,939,397 respectively, were recognized in other revenue in the consolidated statement of operations. The Medical Center amortizes the QIP and DSRIP incentive payments on a calendar year basis.

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. Charges for charity care rendered were approximately $122 million and $111 million for the years ended December 31, 2021 and 2020, respectively. Total charity care costs were approximately $39 million and $38 million for the years ended December 31, 2021 and 2020, respectively. Charity care costs are calculated using the Medical Center's ratio of total expenses to total gross charges and then applying that ratio to the gross charges foregone related to charity care for each year.

6. Related-Party Transactions

The Medical Center has one-year service agreements with its affiliated organizations to provide administrative facilities, supplies and accounting services for a set annual fee. In addition, the Medical Center leases office space to affiliates. Fees and rent for all agreements approximated $60,000 in 2021 and 2020, and are recorded as other revenue.

The Foundation was established to solicit contributions from the general public solely for the funding of operations and capital acquisitions by the Medical Center. Funds are distributed to the Medical Center as determined by the Foundation's Board of Trustees. A summary of the Foundation's assets, liabilities, net assets, results of operations and changes in net assets follows. The Medical Center's interest in the net assets of the Foundation is reported as a noncurrent asset in the consolidated balance sheets.

	2021	2020
Assets (principally cash and cash equivalents, prepaid expenses and other current assets, investments, assets limited as to use and pledges receivable)	$ 14,981,444	$ 11,725,043
Liabilities	$ 99,640	$ 136,591
Net assets	14,881,804	11,588,452
Total liabilities and net assets	$ 14,981,444	$ 11,725,043
Revenues and other support	$ 7,546,500	$ 7,399,487
Expenses	(1,158,685)	(1,324,390)
Excess of revenues and other support over expenses	6,387,815	6,075,097
Contributions to the Medical Center of donor-restricted funds	(3,094,463)	(2,582,910)
Net assets, beginning	11,588,452	8,096,265
Net assets, ending	$ 14,881,804	$ 11,588,452

The Foundation's contributions are reflected as a component of net assets with donor restrictions and amounted to $3,094,463 and $2,582,910 in 2021 and 2020, respectively.

At December 31, 2021 and 2020, amounts due to the Medical Center from affiliates were $235,735 and $280,368, of which $179,580 and $144,154, respectively, were due from Trinitas Health Care Corporation and are included in other current assets on the consolidated balance sheets.

7. Assets Limited as to Use and Investments

The composition of assets whose use is limited at December 31, is set forth in the following table:

	2021	2020
Internally designated:		
Cash and cash equivalents	$ 2,036,539	$ 3,118,450
U.S. government and agency obligations	14,484,693	14,627,076
Investment-grade corporate bonds	69,122,437	63,165,885
Marketable equity securities:		
Energy	311,395	-
Industrials	4,406,379	5,176,684
Consumer discretionary	3,539,125	3,096,131
Consumer staples	5,062,937	5,179,049
Health care	8,646,518	8,837,016
Financials	10,371,300	9,232,553
Information technology	8,426,379	8,152,849
Telecommunication services	2,608,950	2,306,180
Total internally designated assets	129,016,652	122,891,873
Internally designated, deferred compensation plans:		
Mutual funds	15,645,416	13,980,668
Total internally designated assets and deferred compensation plans	$ 144,662,068	$ 136,872,541
Assets held by trustees under bond indentures:		
Cash and cash equivalents	$ 4,771,075	$ 4,760,013
Less funds held by trustees available to meet current liabilities	(4,771,075)	(4,760,013)
Noncurrent portion of funds held by trustees under bond indentures	$ -	$ -
Donor-restricted assets:		
Cash and cash equivalents	$ 2,025,484	$ 2,623,079
Mutual funds	1,521,434	1,616,658
Total donor-restricted assets	$ 3,546,918	$ 4,239,737

The composition of investments at December 31, is set forth in the following table:

	2021	2020
Cash and cash equivalents	$ 587,017	$ 736,032
U.S. government and agency obligations	5,119,886	4,854,361
Investment-grade corporate bonds	22,975,964	20,512,378
Marketable equity securities:		
Energy	1,201,095	-
Industrials	1,905,158	1,621,293
Consumer discretionary	944,416	902,831
Consumer staples	932,328	889,911
Health Care	490,468	303,056
Financials	1,048,607	1,736,892
Information technology	2,058,559	3,146,466
Telecommunication services	-	1,300,970
Total investments	$ 37,263,498	$ 36,004,190

8. Fair Value Measurements and Financial Instruments

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Medical Center for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The Medical Center measures its investments and assets whose use is limited current and noncurrent on a recurring basis at fair value. The financial instruments were measured with the following inputs at December 31:

	2021			
	Quoted Prices in Active Markets (Level 1)	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Fair Value**
Reported at Fair Value Assets				
Mutual funds:				
Domestic	$ 15,465,416	$ -	$ -	$ 15,465,416
Intermediate term bond	1,521,434	-	-	1,521,434
U.S. government and agency obligations	19,604,579	-	-	19,604,579
Investment-grade corporate bonds		92,098,401	-	92,098,401
Marketable equity securities:				
Industrials	6,311,537	-	-	6,311,537
Consumer discretionary	4,483,541	-	-	4,483,541
Consumer staples	5,995,265	-	-	5,995,265
Health Care	9,136,986	-	-	9,136,986
Financials	11,419,907	-	-	11,419,907
Information technology	10,484,938	-	-	10,484,938
Telecommunication services	2,608,950	-	-	2,608,950
Energy	1,512,490	-	-	1,512,490
Cash and cash equivalents included within investments				587,017
Cash and cash equivalents included within assets whose use is limited				8,833,098
Total	$ 88,545,043	$ 92,098,401	$ -	$ 190,063,559

	2020			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Reported at Fair Value Assets				
Mutual funds:				
Domestic	$ 13,980,668	$ -	$ -	$ 13,980,668
Intermediate term bond	1,616,658	-	-	1,616,658
U.S. government and agency obligations	19,481,437	-	-	19,481,437
Investment-grade corporate bonds	-	83,678,263	-	83,678,263
Marketable equity securities:				
Industrials	6,797,977	-	-	6,797,977
Consumer discretionary	3,998,962	-	-	3,998,962
Consumer staples	6,068,960	-	-	6,068,960
Health Care	9,140,072	-	-	9,140,072
Financials	10,969,445	-	-	10,969,445
Information technology	11,299,315	-	-	11,299,315
Telecommunication services	3,607,150	-	-	3,607,150
Cash and cash equivalents included within investments				736,032
Cash and cash equivalents included within assets whose use is limited				10,501,542
Total	$ 86,960,644	$ 83,678,263	$ -	$ 181,876,481

Financial Instruments

Mutual funds are valued at the published net asset value of the units on the measurement date.

U.S. government and agency obligations are valued by quoted market prices.

Corporate bonds are valued using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads.

Marketable equity securities are valued at the closing price reported or the active market on which the individual securities are traded.

9. Property and Equipment and Accumulated Depreciation

Property and equipment and accumulated depreciation at December 31, are as follows:

	2021	2020
Land	$ 1,783,178	$ 1,783,178
Land improvements	4,713,190	4,654,503
Buildings and improvements	179,334,677	180,520,758
Fixed and major movable equipment	179,990,754	179,019,101
Leasehold Improvements	1,889,874	1,851,260
Construction in progress	23,905,628	9,562,632
Total	391,617,301	377,391,432
Less accumulated depreciation	(283,589,632)	(284,479,054)
Property and equipment, net	$ 108,027,669	$ 92,912,378

10. Long-Term Debt

Long-term debt at December 31, consist of the following:

	2021	2020
Note payable, state of NJ, noninterest bearing loan	$ 45,477	$ 56,847
Serial bonds, Series 2016A , which mature July 1, 2017 through July 1, 2030, and bear interest ranging from 4.00% to 5.00%, payable semiannually	10,040,000	10,910,000
Serial bonds, Series 2017A , which mature July 1, 2018 through July 1, 2030, and bear interest of 5.00%, payable semiannually	57,775,000	62,770,000
	67,860,477	73,736,847
(Less) or add:		
Current portion of long-term debt	(6,150,000)	(5,865,000)
Deferred financing costs, net	(337,866)	(404,614)
Unamortized bond premium	5,904,875	7,108,161
Total	$ 67,277,486	$ 74,575,394

The Medical Center, Marillac and Trinitas Physicians Practice, LLC are members of the Obligated Group for the Series 2016A Bonds and Series 2017A Bonds.

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 the 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 percent 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.

Scheduled principal payments of long-term debt under the terms of their respective repayment schedules at December 31, 2021 are as follows:

	Bonds
2022	$ 6,150,000
2023	6,466,370
2024	6,791,370
2025	7,136,370
2026	7,481,367
Thereafter	33,835,000
Total	$ 67,860,477

See Footnote 20 for information on bonds defeasance in 2022

Interest expense as reported on the consolidated statements of operations is composed of the following for the years ended December 31:

	2021	2020
Interest expense on Series 2016A Bonds, Series 2017A Bonds and other extinguished debt	$ 3,537,375	$ 3,862,044
Amortization of deferred financing costs	66,748	71,953
Amortization of bond premium	(1,203,286)	(1,296,560)
Total	$ 2,400,837	$ 2,637,437

11. Retirement Plans

The Trinitas Savings and Retirement Plan covers all eligible employees as defined by the plan. All employees who are full time employees are eligible to participate upon completing one year of service and attaining age 21. Eligible employees may contribute up to 15 percent of their salaries, up to the Internal Revenue Service limit. Eligible employees may also contribute catch up contributions up to the Internal Revenue Service limit. The Medical Center will contribute a percentage of eligible salaries on an annual basis, at the option of the Board of Trustees. The Medical Center expensed contributions to this plan for the years ended December 31, 2021 and 2020 of $2,418,858 and $2,131,984, respectively.

In addition, certain key members of senior management participate in deferred compensation plans sponsored by the Medical Center. At December 31, 2021 and 2020, internally designated assets included $15,645,416 and $13,980,668, respectively, related to these plans. A liability for the same amount is included in other long-term liabilities.

At December 31, 2021 and 2020, postretirement medical benefits and life insurance agreements for key employees are reflected in the consolidated balance sheets as other assets for premium receivables in the amount of $807,956 and $781,779 and a liability in other long-term liabilities in the amount of $1,090,024 and $1,075,577 for both benefits payable, respectively. There were no changes to net assets without donor restrictions for unfunded post-retirement medical benefits for the years ended December 31, 2021 and 2020.

12. Leases

The Medical Center leases real estate and medical and other equipment used in operations. For many of these leases, the Medical Center is responsible for paying property taxes, insurance, as well as maintenance and repair costs. The Medical Center assesses lease renewal options using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore the majority of its leases' terms do not include renewal periods for accounting purposes. For leases where the Medical Center is reasonably certain to exercise its renewal option, the option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability. The payment structure of most of the Medical Center's leases generally include annual escalation clauses that are either fixed or variable in nature, some of which are dependent upon published indices. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and expenses for these leases are recognized over the lease term as an operating expense.

Certain leases may include an option to purchase the leased assets. The Medical Center assesses the likelihood of exercising the purchase option using a "reasonably certain" threshold, which is understood to be a high threshold and, therefore, purchase options are generally accounted for when a compelling economic reason to exercise the option exists. Certain leases include an option to terminate the lease, the terms and condition of which vary by contract. These options allow the parties to the contract to terminate their obligations typically in return for an agreed upon financial consideration amount. The Medical Center's lease agreements do not contain material residual value guarantees.

The Medical Center makes certain assumption and judgements in determining the discount rate, as most leases do not provide an implicit rate. The Medical Center uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments. In order to apply the incremental borrowing rate, a portfolio approach was utilized to group assets based on similar lease terms in a manner whereby the Medical Center reasonably expect that the application does not differ materially from application to individual leases.

Subsequent to the lease commencement date, the Medical Center reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term, or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease. At December 31, 2021 and 2020, all of the Medical Center's leases were classified as operating leases.

For the year ended December 31, 2021, the components of the operating lease expense are as follows:

	Equipment Leases	Real Estate Leases	Total
Operating lease expense	$ 1,527,887	$ 2,130,246	$ 3,658,133

For the year ended December 31, 2021, supplemental cash flow, cash paid for amounts included in the measurement of lease liabilities, information related to operating leases was as follows:

	Equipment Leases	Real Estate Leases	Total
Operating cash flows from operating leases	$ 1,584,741	$ 2,120,481	$ 3,705,222

As of December 31, 2021, supplemental balance sheet information related to operating leases was as follows:

	Equipment Leases	Real Estate Leases	Total
Operating leases:			
Right-of-use assets	$ 2,585,877	$ 4,522,481	$ 7,108,358
Other occupancy liabilities	$ -	$ 9,764	$ 9,764
Operating lease obligations	2,585,877	4,512,717	7,098,594
Lease liabilities	$ 2,585,877	$ 4,522,481	$ 7,108,358

The following tables include supplemental operating lease information as of and for the year ended December 31, 2021:

Lease Term and Discount Rate	Equipment Leases	Real Estate Leases
Weighted-average remaining lease term (years):	3.9 years	4.3 years
Weighted-average discount rate:	5.99%	5.73%

For the year ended December 31, 2020, the components of the operating lease expense are as follows:

	Equipment Leases	Real Estate Leases	Total
Operating lease expense	$ 1,649,381	$ 2,215,932	$ 3,865,313

For the year ended December 31, 2020, supplemental cash flow, cash paid for amounts included in the measurement of lease liabilities, information related to operating leases was as follows:

	Equipment Leases	Real Estate Leases	Total
Operating cash flows from operating leases	$ 1,575,771	$ 2,190,390	$ 3,766,161

As of December 31, 2020, supplemental balance sheet information related to operating leases was as follows:

	Equipment Leases	Real Estate Leases	Total
Operating leases:			
Right-of-use assets	$ 3,750,177	$ 5,279,129	$ 9,029,306
Other occupancy liabilities	$ 73,610	$ 25,541	$ 99,151
Operating lease obligations	3,676,567	5,253,588	8,930,155
Lease liabilities	$ 3,750,177	$ 5,279,129	$ 9,029,306

The following tables include supplemental operating lease information as of and for the year ended December 31, 2020:

Lease Term and Discount Rate	Equipment Leases	Real Estate Leases
Weighted-average remaining lease term (years):	2.1 years	2.2 years
Weighted-average discount rate:	5.50%	5.67%

As of December 31, 2021, maturities of lease liabilities were as follows:

	Equipment Leases	Real Estate Leases	Total
Years ending December 31:			
2022	$ 1,283,231	$ 1,661,703	$ 2,944,934
2023	1,135,373	1,348,925	2,484,298
2024	1,046,521	940,427	1,986,948
2025	131,011	836,874	967,885
2026	-	852,838	852,838
Thereafter	-	705,528	705,528
Total lease payments	3,596,136	6,346,295	9,942,431
Less imputed interest	(1,010,259)	(1,823,814)	(2,834,073)
Total lease obligation	$ 2,585,877	$ 4,522,481	7,108,358
Less current portion			2,330,444
Long term portion			$ 4,777,914

Lease Receivable

On June 23, 2017, the Medical Center renewed a lease and service agreement with a provider of long-term care (LTAC). The LTAC built a 25 bed, 13,000 square foot LTAC unit and leases space and purchases certain auxiliary and support services from the Medical Center. The lease renewal commenced on January 28, 2018 and is for a five year term, with a base rental that increases 2.5 percent annually and additional renewal periods available, as defined in the lease agreement.

Future minimum rental to be received under this agreement as of December 31, 2021 not including additional renewal periods, are as follows:

2022	$ 384,027
2023	360,826
2024	-
Total	$ 744,853

13. Functional Expenses

The consolidated 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. Employee benefits are allocated based on the respective proportion of salaries and wages. Depreciation and interest are allocated based on square footage. Costs of other categories were allocated on estimates of time and effort. The Medical Center uses the CMS Medicare definition of general and administrative expenses as reported on the Medical Center's cost reports.

Functional expenses for the year ended December 31, 2021:

	Health Care Services	Medical Office Building	General and Administrative	Total
Salaries and wages	$ 126,020,710	$ -	$ 18,175,049	$ 144,195,759
Employee benefits	25,704,411	-	2,923,354	28,627,765
Supplies and other	102,573,442	912,931	25,385,672	128,872,045
Depreciation	9,840,289	395,658	1,330,194	11,566,141
Interest	2,114,943	-	285,894	2,400,837
	$ 266,253,795	$ 1,308,589	$ 48,100,163	$ 315,662,547

Functional expenses for the year ended December 31, 2020:

	Health Care Services	Medical Office Building	General and Administrative	Total
Salaries and wages	$ 123,006,763	$ -	$ 17,740,481	$ 140,747,244
Employee benefits	33,599,855	-	3,821,300	37,421,155
Supplies and other	92,289,960	865,182	25,385,672	118,540,814
Depreciation	9,291,398	375,126	1,255,996	10,922,520
Interest	2,323,368	-	314,069	2,637,437
	$ 260,511,344	$ 1,240,308	$ 48,517,518	$ 310,269,170

14. Donor-Restricted Net Assets

Net assets with donor restrictions include the Medical Center's beneficial interest in the Trinitas Health Foundation (Note 6), an endowment fund and other funds that are restricted based upon specified donor restrictions. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

For the endowment, the Medical Center has classified as net assets with restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. These original values of the donor-restricted net assets are always maintained by the Medical Center. The remaining portion of the donor-restricted endowment fund remains classified as net assets with restriction until those assets are appropriated for expenditure by the Medical Center in a manner consistent with the donor's expressed intent.

The Medical Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in fixed income and equity securities.

Net assets with donor-restricted purposes have been summarized as follows at December 31:

	2021	2020
Beneficial interest in net assets of Trinitas Health Foundation (Note 6)	$ 14,881,804	$ 11,588,452
Other donor-restricted net assets	2,302,216	2,931,191
Endowment funds	1,244,707	1,308,551
Total	$ 18,428,727	$ 15,828,194

15. Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party arrangements, primarily with Medicaid, Medicare and various commercial insurance companies. At December 31, 2021 and 2020, accounts receivable related to Medicare amounted to 20 percent and 14 percent and accounts receivable related to Medicaid amounted to 27 percent and 28 percent, respectively, of patient accounts receivable.

The Medical Center maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000. The Medical Center's cash accounts exceed the insured limits.

16. Commitment and Contingencies

Litigation and Regulatory Matters

Certain contractual matters may ultimately result in dispute and claim for additional payments. Management and their counsel believe that there are substantial defenses to such claims, should they be asserted and that the ultimate result of such actions, if any, will not have an adverse material effect to the consolidated financial statements. Accordingly, no amounts have been recorded in connection with these matters.

The Health Care 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 un-asserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by Health Care 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. Starting in 2015, the Medical Center is subject to the Centers for Medicare and Medicaid Services (CMS) calculation for the Medicaid Disproportionate Share Hospital (DSH) payments and the uncompensated care Medicaid DSH audit; the financial impact is uncertain. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Medical Center, if any, are not presently determinable.
In addition, the Medical Center is party to litigation incidental to the normal course of its business. Management believes that the Medical Center's insurance is adequate to cover all payments, if any, that may arise from these lawsuits.

Medical Malpractice and Workers Compensation

The Medical Center is insured for medical malpractice claims under a claims-made policy with a commercial insurer. The policy currently provides a primary layer of coverage of $1,000,000 per occurrence and $3,000,000 annual aggregate; an umbrella layer of $20,000,000 per occurrence and $20,000,000 annual aggregate. The Medical Center records an estimated liability for medical malpractice costs, discounted at a rate of 5 percent at December 31, 2021 and 2020, related to reported claims and incurred claims that have not been reported. At December 31, 2021, the Medical Center's other long-term liabilities include $10,335,000, of which $1,913,000 relates to estimated incurred claims that have not been reported and $8,422,000 relates to reported claims that are covered by insurance. At December 31, 2020, the Medical Center's other long-term liabilities include $10,410,000, of which $1,913,000 relates to estimated incurred claims that have not been reported and $8,497,000 relates to reported claims that are covered by insurance. Insurance recovery assets were $8,422,000 and $8,497,000 in 2021 and 2020, respectively, and are included in other assets on the consolidated balance sheets.

Prior to October 1, 2021, the Medical Center is self-insured for workers compensation claims with a $500,000 per case deductible subject to certain grouping criteria. Effective October 1, 2021, the deductible was $550,000 per case and subject to no grouping criteria of workers compensation claims based on the insurance policy coverage. At December 31, 2021 and 2020, the Medical Center recorded an estimated liability in the amount of $5,026,000 and $7,919,000, respectively, for workers compensation claims based on an actuarial study which are included in accrued expenses on the consolidated balance sheets.

The Medical Center believes it has adequate insurance coverages for all asserted claims and it has no knowledge of un-asserted claims which would exceed its insurance coverages.

Real Estate Taxes

As a not-for-profit corporation in New Jersey, the Medical Center is an organization which has historically qualified for an exemption from real property taxes; however, a number of cities and municipalities in New Jersey have challenged and continue to challenge such exemption. The City of Elizabeth has advised the Medical Center of its intentions to remove all of the Medical Center's properties from the current tax exempt status and will place the properties on the real estate property tax rolls. In 2016, the Medical Center signed an agreement with the City of Elizabeth, whereby, the Medical Center will pay a community service contribution in the amount of $250,000 per year for four years, effective January 2016, or a higher amount if statewide legislation is passed. In February 2020, the agreement was extended for 2020, in which the community service contribution that the Medical Center will pay to the City of Elizabeth will be $250,000 in 2020 and $300,000 in 2021. Subsequently, in February 2021, New Jersey passed a law requiring nonprofit hospitals to pay the municipality where they are located a yearly contribution (not a tax) starting in 2021 equal to three dollars per day for specific licensed hospital beds and $300 dollars per day for each satellite emergency care facility, based on the prior year's tally of licensed beds and facilities. Fees would rise 2 percent annually, thereafter to cover inflationary costs. Therefore, the community service contribution that the Medical Center paid to the City of Elizabeth was $350,000 in 2021.

17. Cogeneration Energy Project

The Medical Center received final approval in 2019 from the Energy Resilience Bank (ERB), for a plant electrical and steam generation project. The project will provide additional energy production which will be powered by natural gas during prolonged electrical outages. The project had an estimated total cost of $10.4 million. The financing of the project consisted of a combination of grants for $7.1 million and a loan from the Department of Housing and Urban Development (HUD) for approximately $3.3 million with a 2 percent interest rate payable over 20 years. A portion of 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 in the first quarter of 2019 and construction began in the fourth quarter 2020. The debt and grants will be drawn down as construction occurs and there is no interest charged during the construction period. The imputation of interest free borrowings during the construction period are not significant. At the completion of the project, the construction advances from HUD related to the loan portion of the project proceeds will be converted to a loan and payment amortization will begin. The grant portion of the funding requires that the project must be completed and meet the required specifications as defined in the agreement, in order for the Medical Center to be eligible for the grant. These conditions will not be substantially met until the project is completed and receives final approval, and therefore, all grant funds received during the construction of the project will be recorded in deferred revenue until such time as these conditions are substantially met. The estimated completion date for the cogeneration project is the second quarter of 2022.

At December 31, 2021 and 2020, $5,882,262 and $551,893, respectively, are included in deferred revenue on the consolidated balance sheets. At December 31, 2021 and 2020 project costs in the amount of $9,600,496 and $1,439,105, respectively, are included in property and equipment, net, on the consolidated balance sheets.

18. Administrative Services Building

In June of 2019, the Medical Center signed various agreements with a developer. The project includes the demolishment of the existing Administration Services Building (which is fully depreciated) and construction of a Medical Office Building (MOB), to be owned by the developer or the developer's designee. It is planned that approximately 33,000 of the 45,000 total square feet of the MOB will be rentable square feet (RSF). 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 to be owned by the Medical Center. The ground lease covers a term of 50 years for 0.6455 of an acre and annual rental income of $47,004, indexed by annual increases of 2.5 percent for the first ten years then adjusted to market value thereafter. The Medical Center has leased medical office space for a term of 15 years, for approximately 18,000 RSF, at $25.35 per RSF or approximately $455,000 per year indexed by annual increases of 2.5 percent plus operating expenses and fit out costs of approximately $6.4 million. In May of 2020, the Medical Center entered into additional agreements with the developer for medical office space leases. The additional medical office space leases key terms are for a term of 15 years, for approximately 15,000 RSF, at $20.25 per RSF or approximately $295,000 per year indexed by annual increases of 2.5 percent plus operating expenses and fit out costs of approximately $2.6 million.

At the commencement dates of the leases, which occur at either the completion of the construction or on the date a certificate of occupancy is issued, a final determination will be made to determine the accounting for the leases. The expected completion date is the second quarter of 2022 for the parking garage and the third quarter of 2022 for the MOB. The project also includes a parking garage construction contract for a four story, 300 space car garage at a cost of approximately $10.45 million, which will be owned by the Medical Center. At December 31, 2021 and 2020, the Medical Center had incurred construction costs of approximately $5,899,000 and $563,000, respectively, related to the parking garage which are included within construction in progress in property and equipment, net, on the consolidated balance sheet.

19. 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 total extent of the damage and has insurance coverage of replacement costs of up to $25 million. The final amount of the insurance claim has not been finalized. The Medical Center has recorded a loss from the disposal of assets destroyed by the flood in 2021 of $726,094, which is included in supplies and other expenses in the consolidated statement of operations as of December 31, 2021. Initial insurance proceeds totaled $3,250,000 and a receivable was established in the amount of $51,542 for subsequent receipts received in February 2022. As of December 31, 2021, $3,301,542 had been applied to flood related expenses.

A federal disaster was declared allowing the Medical Center to apply for Federal Emergency Management Agency (FEMA) funding.

20. Bond Defeasance

On January 27, 2022, RWJ Barnabas Health, Inc. provided funds to be used, together with other available Trinitas Regional Medical Center funds deposited with the Bond Trustee, to defease all of the currently outstanding Refunding and Revenue Bonds, Trinitas Regional Medical Center Obligated Group Issue, Series 2016A Bonds and Series 2017A Bonds, issued by the New Jersey Health Care Facilities Financing Authority.

All of the Series 2016A Bonds and Series 2017A Bonds were deemed paid within the meaning of Section 12.01 of the Authority's General Resolution, and the pledge of the Trust Estates to the Series 2016A Bonds and the Series 2017A Bonds and all other rights granted to the Series 2016A Bonds and the Series 2017A Bonds have ceased, terminated, become void and have been completely released, discharged and satisfied, including all rights in Trinitas' Master Trust Indenture and any mortgage and security interest provided thereunder, which also have been completely released, discharged and satisfied.