

**Trinitas Regional Medical Center Obligated Group**  
Consolidated Balance Sheet  
At June 30, 2018 and December 31, 2017  
(Unaudited)

	June 2018	December 2017
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents (includes certificates of deposit)	\$ 126,769,956	\$ 132,741,105
Assets whose use is limited	7,335,553	4,789,990
Patient accounts receivable, net	26,918,665	27,697,494
Other receivables	4,602,993	2,596,572
Other current assets	6,179,806	6,105,115
Total current assets	171,806,973	173,930,276
<b>Assets Whose Use is Limited and Investments</b>		
Assets whose use is limited:		
Internally designated	100,373,409	101,660,141
Other internally designated	8,849,365	8,451,871
Donor restricted	3,078,216	3,028,167
Investments	29,380,004	29,829,519
Total assets whose use is limited and investments	141,680,994	142,969,698
<b>Beneficial Interest in Net Assets of Trinitas Health Foundation</b>	10,719,473	9,759,389
<b>Property and Equipment</b> (net of accumulated depreciation of \$258,372,000 and \$252,682,000 in 2018 and 2017, respectively)	86,460,769	86,120,548
<b>Other Assets</b>	5,880,222	5,851,315
Total	\$ 416,548,431	\$ 418,631,226
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 5,315,000	\$ 5,065,000
Accounts payable, construction payable and accrued expenses	26,604,347	24,496,220
Deferred revenue	1,930,802	7,330,546
Accrued bond interest payable	2,177,687	2,241,000
Accrued salaries and wages	6,647,380	5,994,526
Estimated settlements with third-party payors	12,524,770	13,071,014
Total current liabilities	55,199,986	58,198,306
<b>Estimated Settlements with Third-party Payors</b>	50,451,252	49,618,391
<b>Long-Term Debt</b>	94,434,463	95,220,237
<b>Other Long-Term Liabilities</b>	18,730,574	18,378,339
Total liabilities	218,816,275	221,415,273
<b>Net Assets</b>		
Without donor restrictions	183,934,462	184,428,392
With donor restrictions	13,797,694	12,787,561
Total net assets	197,732,156	197,215,953
Total	\$ 416,548,431	\$ 418,631,226

**Trinitas Regional Medical Center Obligated Group**  
Consolidated Statement of Operations  
For the Six Months Ended June 30, 2018 and 2017  
(Unaudited)

	<u>June 2018</u>	<u>June 2017</u>
<b>Revenues</b>		
Net patient service revenue	\$ 113,202,784	\$ 113,950,036
Other revenue	32,911,190	33,077,017
Net assets released from restrictions used for operations	275,322	362,683
<b>Total revenues</b>	<u>146,389,296</u>	<u>147,389,736</u>
<b>Expenses</b>		
Salaries and wages	67,960,631	68,831,890
Employee benefits	13,832,199	13,895,408
Supplies and other	57,145,514	55,467,620
Depreciation	5,689,905	5,893,803
Interest and amortization	1,550,957	2,711,259
<b>Total expenses</b>	<u>146,179,206</u>	<u>146,799,980</u>
<b>Operating Income</b>	<u>210,090</u>	<u>589,756</u>
<b>Nonoperating Gains and Losses</b>		
Interest, dividends and other	1,768,551	1,795,679
Net realized gains and losses on investments	419,412	464,800
Loss on bond refinancing	-	(1,238,343)
Gain on bargain purchase	148,666	-
Change in unrealized gains and losses on investments	(3,554,921)	1,660,671
<b>Total nonoperating gains and losses</b>	<u>(1,218,292)</u>	<u>2,682,807</u>
<b>Revenues and Nonoperating Gains Over (Under) Expenses</b>	<u>\$ (1,008,202)</u>	<u>\$ 3,272,563</u>

**Trinitas Regional Medical Center Obligated Group**  
 Consolidated Statement of Changes in Net Assets  
 For the Six Months Ended June 30, 2018 and 2017  
 (Unaudited)

	June 2018	June 2017
<b>Without Donor Restrictions:</b>		
Revenues and nonoperating gains over (under) expenses	\$ (1,008,202)	\$ 3,272,563
Net assets released from restrictions used for purchase of property and equipment	514,272	4,152,843
Increase (decrease) in without donor restrictions net assets	(493,930)	7,425,406
<b>With Donor Restrictions:</b>		
Contributions	875,416	4,551,009
Interest and dividends	6,429	-
Change in unrealized gains and (losses) on investments	(42,202)	17,314
Net assets released from restrictions	(789,594)	(4,515,526)
Change in beneficial interest in net assets of Trinitas Health Foundation	960,084	2,589,726
Increase (decrease) in with donor restrictions net assets	1,010,133	2,642,523
<b>Increase (Decrease) in Net Assets</b>	516,203	10,067,929
<b>Net Assets</b>		
Beginning of year	197,215,953	175,896,449
End of year	\$ 197,732,156	\$ 185,964,378

**Trinitas Regional Medical Center Obligated Group**  
Consolidated Statement of Cash Flows  
For the Six Months Ended June 30, 2018 and 2017  
(Unaudited)

	June 2018	June 2017
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 516,203	\$ 10,067,929
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,689,905	5,893,803
Loss from bond refinancing	-	1,238,343
Amortization of deferred financing costs	39,632	85,969
Amortization of deferred bond premium	(666,363)	(345,408)
Restricted contributions for capital additions	(514,272)	(4,152,843)
Change in net unrealized gains and losses on other than trading securities	3,554,921	(1,660,671)
Net realized gains and losses on investments	(419,412)	(464,800)
Change in beneficial interest in net assets of Trinitas Health Foundation	(960,084)	(2,589,726)
Change in assets and liabilities:		
Patient accounts receivable	778,829	2,687,624
Other receivables	(2,006,421)	68,288
Other current assets and other assets	(357,898)	(861,017)
Accounts payable, construction payable and accrued expenses	2,362,427	(2,092,978)
Deferred revenue	(5,399,744)	(3,350,119)
Accrued bond interest payable	(63,313)	(2,744,830)
Accrued salaries and wages	652,854	571,599
Estimated settlements with third-party payors	286,617	(4,181,878)
Other long-term liabilities	352,235	724,998
Net cash provided by (used in) operating activities	3,846,116	(1,105,717)
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment and construction	(6,030,126)	(4,989,528)
Purchases of investments and assets whose use is limited, net	(4,392,368)	10,447,605
Net cash provided by (used in) investing activities	(10,422,494)	5,458,077
<b>Cash Flows from Financing Activities</b>		
Restricted contributions for capital additions	514,272	4,152,843
Loan payable assumed	90,957	-
Payment of debt issuance costs	-	(160,293)
Proceeds from refunding and revenue bonds	-	93,217,203
Repayment of Series 2007 bonds	-	(109,675,000)
Net cash Provided by (used in) financing activities	605,229	(12,465,247)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(5,971,149)	(8,112,887)
<b>Cash and Cash Equivalents, Beginning</b>	132,741,105	130,023,301
<b>Cash and Cash Equivalents, Ending</b>	\$ 126,769,956	\$ 121,910,414
<b>Supplemental Disclosure of Cash Flow Information,</b>		
Interest paid	\$ 2,241,000	\$ 2,857,822
Gain on bargain purchase	\$ 148,666	\$ -

**Trinitas Regional Medical Center Obligated Group**

Notes to Consolidated Financial Statements

June 30, 2018

(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. In 2000, Elizabeth General Medical Center and St. Elizabeth Hospital 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 June 30, 2018 and 2017, its result of operations and its changes in net assets and cash flows for the six months ended June 30, 2018 and 2017 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, 2017.

**3. Liquidity**

The cash and cash equivalents in the current assets and the internally designated in the assets whose use is limited and investments on the balance sheet which total \$227,143,365 as of June 30, 2018, which do not include any restricted funds or Foundation funds, is sufficient to meet the cash needs for general expenditures within one year. Managements' strategy is to maintain adequate liquidity of balances of cash and investments which are immediately, or within three business days, available to fund operations and annual routine capital needs.

**Trinitas Regional Medical Center Obligated Group**

Notes to Consolidated Financial Statements

June 30, 2018

(Unaudited)

**4. Net Patient Service Revenue**

Patient care service revenue is reported 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 health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to the 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.

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, 2009.

**Trinitas Regional Medical Center Obligated Group**

Notes to Consolidated Financial Statements

June 30, 2018

(Unaudited)

- **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, 2015.
- **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. Net patient service revenue on the consolidated statement of operations includes no adjustments for the six months ended June 30, 2018 and 2017, respectively, related to tentative and 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 six months ended June 30, 2018 and 2017, revenue was decreased by \$814,258 and \$217,588, respectively, due to changes in estimates of implicit price concessions for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt.

**Trinitas Regional Medical Center Obligated Group**

Notes to Consolidated Financial Statements

June 30, 2018

(Unaudited)

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.

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 \$66,631,172 and \$73,917,250 for the six months ended June 30, 2018 and 2017, respectively.

The composition of the Medical Center's patient care service revenue by payor for the six months ended June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Medicare	\$ 43,493,168	\$ 43,278,224
Medicaid	40,347,621	42,332,438
Other third party payors	28,273,466	27,211,269
Self-pay and other	<u>1,088,529</u>	<u>1,128,105</u>
Total	<u>\$ 113,202,784</u>	<u>\$ 113,950,036</u>

The composition of patient care service revenue based on the Medical Center's lines of business for the six months ended June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Medical Center	\$ 107,158,385	\$ 107,557,300
Long-term care	3,128,474	3,742,987
Physicians practice	<u>2,915,925</u>	<u>2,649,749</u>
Total	<u>\$ 113,202,784</u>	<u>\$ 113,950,036</u>

**5. 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.

**6. Subsequent Events**

The Medical Center evaluated subsequent events for recognition or disclosure through August 8, 2018, the date the financial statements were available to be issued.

**Trinitas Regional Medical Center Obligated Group**

Notes to Consolidated Financial Statements

June 30, 2018

(Unaudited)

**7. New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (residents) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Medical Center will be required to retrospectively adopt the guidance in ASU No. 2014-09 for the years beginning after December 15, 2017. The Medical Center has adopted ASU No. 2014-09 on its financial statements for 2018.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities (Subtopic 825-10)*. The new guidance requires equity investments (except equity method investments or those that result in consolidation) to be measured at fair value with changes in fair value recognized in net income. Finally, ASU 2016-01 requires other specific investment presentation and disclosures in the financial statements for certain financial instruments. ASU 2016-01 is effective for the fiscal year ending December 31, 2018. The Medical Center adopted ASU No. 2016-01 on its financial statements for 2018. As part of the adoption of ASU No. 2016-01, the Medical Center for its debt and equity investments has moved changes in unrealized (losses) of (\$3,554,921) and unrealized gains of \$1,660,671 for the six month period ended June 30, 2018 and 2017, respectively, above the performance indicator. The Medical Center manages its investments in totality and separating debt and equity unrealized gains and losses was not meaningful.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topics 958): Presentation of Financial Statements of Not-for-Profit Entities and Liquidity and Availability of Resources*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the fiscal year beginning July 1, 2018, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Net assets have been reclassified into two categories, without donor restrictions and with donor restrictions, from three categories. The Medical Center has adopted ASU No. 2016-14 on its financial statements for 2018.

In February 2016, the FASB issued Accounting Standards Update ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Medical Center's leasing activities. The Medical Center will be required to retrospectively adopt the guidance in ASU No. 2016-02 for years beginning after December 15, 2018. The Medical Center has not yet determined the impact of adoption of ASU No. 2016-02 on its financial statements.

**Trinitas Regional Medical Center Obligated Group**

Notes to Consolidated Financial Statements

June 30, 2018

(Unaudited)

**8. Charity Care and Subsidy Payments**

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 six months ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Charity care	\$ 14,572,560	\$ 16,172,334
Delivery System Reform Incentive Payment	3,894,629	2,230,979
Mental health	905,757	905,756
Total	<u>\$ 19,372,946</u>	<u>\$ 19,309,069</u>

In April 2018, the Medical Center received an interim incentive payment in the amount of \$883,287 which was recorded as deferred revenue in the balance sheet. In October 2017, the Medical Center received an incentive payment in the amount of \$7,789,257 for Year 5 and an appeal for Year 4 and, in July 2016, received an incentive payment in the amount of \$2,602,760 for Year 4 for the Delivery System Reform Incentive Payment (DSRIP) whereby the amounts are amortized over the DSRIP fiscal year ending June 30, 2018 and 2017, respectively.

For the six months ended June 30, 2018 and 2017, the incentive payment in the amount of \$3,894,629 and \$1,561,657 was recognized in other revenue in the consolidated statement of operations, respectively, and the remainder in the amount of \$883,287 and \$0 was recognized as deferred revenue in the balance sheet, respectively.

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.

**9. Long-term Debt**

On April 3, 2017, the Authority issued, on behalf of the Medical Center, \$82,970,000 in Refunding Bonds, Series 2017A (the "Series 2017A Bonds"), at an interest rate of 5% percent. The proceeds from the sale of the Series 2017A Bonds combined with the debt service reserve funds were released by the trustee relating to the Series 2007A Bonds and Series 2007B Bonds, and used to refund Series 2007A Bonds and Series 2007B Bonds and pay debt issuance costs. The Medical Center will be required to fund the principal and interest payments on the bonds. 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. The 2017A Bonds refinanced and extinguished the 2007 Bonds resulting in a loss on bond refinancing in the amount of \$1,238,343 reflected in the consolidated statement of operations.

**Trinitas Regional Medical Center Obligated Group**

Notes to Consolidated Financial Statements

June 30, 2018

(Unaudited)

**10. Meaningful Use**

Under certain provisions of the American Recovery and Reinvestment Act of 2009, federal incentive payments are available to hospitals, physicians and certain other professionals ("providers") when they adopt certified electronic health record ("EHR") technology or become "meaningful users" of EHRs in ways that demonstrate improved quality, safety and effectiveness of care. Medicare and Medicaid providers can receive their initial incentive payment by adopting implementing or upgrading certified EHR technology, but must demonstrate meaningful use of EHRs in subsequent years in order to qualify for additional payments. Hospitals may be eligible for both Medicare and Medicaid EHR incentive payments. The Medical Center accounts for EHR payments using the contingency method, whereby, revenue is recognized when all contingencies are satisfied. At June 30, 2018 and 2017, the EHR incentive payments received from the Medicare and Medicaid programs is reflected in estimated settlements with third party payors on the balance sheet in the amount of \$3.3 million and \$3.4 million, respectively, which will be recognized as non-operating revenue when the Medical Center has satisfied the statutory and regulatory requirements. For the six months ended June 30, 2018 and 2017, no amounts were recognized as non-operating revenue, respectively, in the consolidated statement of operations.

**11. Cogeneration Energy Project**

The Medical Center has submitted an application and has received preliminary approval from the Energy Resilience Bank ("ERB"), for a plant electrical and steam generation project. The project would provide additional energy production which will be powered by natural gas during prolonged electrical outages. The project has an estimated cost of \$10.1 million. The financing of the project would consist of a combination of grants for \$6.6 million and a loan from the Department of Housing and Urban Development ("HUD") for approximately \$3.5 million. A portion of the grants, approximately \$520,000, will have to be repaid over ten years, interest free. Final construction and engineering costs are being finalized for approval by ERB and HUD, which is expected by year-end 2018.

**12. Community Mental Health Center**

In 2017, the Medical Center had signed a non-binding letter of intent to acquire a community mental health center ("the Center") with the intention of further expanding its behavioral health services. The Center operates an outpatient mental health clinic, outpatient addiction treatment center, adult partial care services program and employee assistance program. The Center will be operated as an outpatient department of the Medical Center. In 2018, the Medical Center has assumed the Center's mortgage on the facility, with an outstanding mortgage of approximately \$91,000 as part of this transaction. The Medical Center signed an asset purchase agreement to execute the aforementioned transaction with an effective date of April 12, 2018.

**TRINITAS REGIONAL MEDICAL CENTER  
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017  
INPATIENT STATISTICS**

	JUNE 2018 ACTUAL	JUNE 2018 ACTUAL
<b>ADMISSIONS</b>		
MEDICAL	3,259	3,636
SURGICAL	837	803
OBSTETRICS	765	874
NEWBORN	737	852
ADULT & ED PSYCH	831	850
ADOLESCENT PSYCH	281	278
DEVELOP DISABLED	133	150
	<u>6,843</u>	<u>7,443</u>
SAME DAY SURGERY	2,456	2,520
	<u>9,299</u>	<u>9,963</u>
INTERMEDIATE PSYCH	95	94
RESIDENTIAL UNIT	4	5
LONG TERM CARE	159	178
	<u>258</u>	<u>277</u>
<b>PATIENT DAYS</b>		
MEDICAL	17,579	18,271
SURGICAL	5,574	5,818
OBSTETRICS	2,051	2,438
NEWBORN	1,988	2,736
ADULT & ED PSYCH	7,621	8,150
ADOLESCENT PSYCH	2,645	2,411
DEVELOP DISABLED	1,517	1,584
	<u>38,975</u>	<u>41,408</u>
SAME DAY SURGERY	2,456	2,520
	<u>41,431</u>	<u>43,928</u>
INTERMEDIATE PSYCH	3,443	4,042
RESIDENTIAL UNIT	2,654	2,656
LONG TERM CARE	20,387	21,042
	<u>26,484</u>	<u>27,740</u>
<b>ALOS</b>		
MEDICAL	5.4	5.0
SURGICAL	6.7	7.2
OBSTETRICS	2.7	2.8
NEWBORN	2.7	3.2
ADULT & ED PSYCH	9.2	9.6
ADOLESCENT PSYCH	9.4	8.7
DEVELOP DISABLED	11.4	10.6
TOTAL W/O SDS	<u>5.7</u>	<u>5.6</u>
INTERMEDIATE PSYCH	36.2	43.0
RESIDENTIAL UNIT	663.5	531.2
LONG TERM CARE	128.2	118.2
	<u>102.7</u>	<u>100.1</u>
<b>CARDIAC CATH LAB I/P</b>		
CARDIAC CATHS	186	187
EMERGENCY ANGIO	26	25
ELECTIVE ANGIO	69	65
OTHER	77	84
TOTAL	<u>358</u>	<u>361</u>

**TRINITAS REGIONAL MEDICAL CENTER  
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017  
OUTPATIENT STATISTICS**

	JUNE 2018 ACTUAL	JUNE 2017 ACTUAL
<b>EMERGENCY ROOM</b>		
NEWPOINT-PSYCH O/P VISITS	929	1,023
WILLIAMSON O/P VISITS	26,521	27,359
TOTAL O/P	<u>27,450</u>	<u>28,382</u>
NEWPOINT ADMISSIONS	862	913
WILLIAMSON ADMISSIONS	3,564	3,731
TOTAL ADMISSIONS	<u>4,426</u>	<u>4,644</u>
% Total ADMISSIONS FROM ER	64.68%	62.39%
TOTAL EMERGENCY ROOM VISITS	<u>31,876</u>	<u>33,026</u>
<b>OBSERVATION</b>		
WSC OBSERVATON CASES	1,231	757
NPC OBSERVATON CASES	86	139
TOTAL OBSERVATION	<u>1,317</u>	<u>896</u>
<b>CLINICS</b>		
ADULT OP SERVICES	37,882	40,949
PC (PARTIAL HOSP) SERVICES	3,845	4,089
CHILD/ADOL OP SERVICES	17,058	16,570
YIP (AFTER SCHOOL)	3,461	3,841
IOP SERVICES	1,340	1,043
OTHER CHILD/ADOL SERVICES	37,706	39,953
BAYONNE MH CLINIC	5,852	0
TOTAL PSYCH CLINICS (1)	<u>107,144</u>	<u>106,445</u>
D.B.HERSH CLINIC	4,434	4,477
PEDIATRIC HEALTH CENTER	3,559	3,263
WOMENS HEALTH CENTER	10,290	10,370
WOUND HEALING CENTER	2,058	2,277
MEDICAL CLINIC (EID)	778	785
TOTAL MEDICAL CLINICS	<u>21,119</u>	<u>21,172</u>
TOTAL CLINICS	<u>128,263</u>	<u>127,617</u>
<b>CANCER CENTER</b>		
OFFICE VISITS	3,368	3,707
INFUSION TREATMENTS	3,933	4,171
RADIATION TREATMENTS	2,642	2,350
CANCER CENTER TOTAL	<u>9,943</u>	<u>10,228</u>
<b>PRIVATE AMBULATORY</b>		
SLEEP CENTER	666	672
OTHER PRIVATE REFERRED (2)	28,307	28,685
TOTAL PRIVATE AMBULATORY	<u>28,973</u>	<u>29,357</u>
<b>O/P RENAL TREATMENTS</b>		
O/P HEMODIALYSIS	9,558	10,364
HOME DIALYSIS	863	680
LINDEN SATELLITE	6,553	6,238
TOTAL RENAL TREATMENTS	<u>16,974</u>	<u>17,282</u>
AMBULANCE RUNS	2,896	3,179
SCTU RUNS	96	121
MICU RUNS	1,820	1,878
SDS (FROM IP SCHEDULE)	2,456	2,520
TOTAL O/P VISITS (INCLUDING SDS)	<u>220,188</u>	<u>221,460</u>
<b>CARDIAC CATH LAB O/P</b>		
CARDIAC CATHS	230	226
ELECTIVE ANGIOPLASTY	49	59
OTHER	53	53
TOTAL	<u>332</u>	<u>338</u>

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

		June 2018
<b>Funds Available for Debt Service</b>		
Net increase in unrestricted net assets	\$	10,760,295
Reconciling items:		
Depreciation		10,288,987
Interest and amortization		3,444,864
Net assets released from restrictions used for purchase of property and equipment		(2,218,335)
Gain on bargain purchase		(148,666)
Change in net unrealized gains and losses on investments		1,964,364
<b>Total</b>	<b>\$</b>	<b>24,091,509</b>
<b>Maximum annual debt service</b>	<b>\$</b>	<b>9,639,957</b>
<b>Actual ratio</b>		2.50
<b>Required ratio</b>		1.25

**Trinitas Regional Medical Center Obligated Group**

Cushion Ratio Calculation Certificate

(Twelve Month Rolling Average)

(Unaudited)

	<u>June 2018</u>
<b>Cushion Ratio</b>	
Cash and investments	\$ 154,920,924
Internally designated funds	100,509,251
<b>Total</b>	<u>\$ 255,430,175</u>
<b>Maximum annual debt service</b>	
Series 2016A and 2017A bonds payable	\$ 9,549,000
Loan payable	90,957
<b>Total maximum annual debt service</b>	<u>\$ 9,639,957</u>
<b>Cushion ratio</b>	26.50
<b>Required ratio</b>	1.25