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

	December 2018	December 2017
Assets		
Current Assets:		
Cash and cash equivalents (includes certificates of deposit)	$ 130,800,645	$ 132,741,105
Assets whose use is limited	4,795,508	4,789,990
Patient accounts receivable, net	27,488,727	27,697,494
Other receivables	3,640,921	2,596,572
Other current assets	5,106,329	6,105,115
Total current assets	171,832,130	173,930,276
Assets Whose Use is Limited and Investments		
Assets whose use is limited:		
Internally designated	100,219,111	101,660,141
Other internally designated	8,619,129	8,451,871
Donor restricted	2,980,536	3,028,167
Investments	29,820,118	29,829,519
Total assets whose use is limited and investments	141,638,894	142,969,698
Beneficial Interest in Net Assets of Trinitas Health Foundation	7,590,940	9,759,389
Property and Equipment (net of accumulated depreciation of $263,598,000 and $252,682,000 in 2018 and 2017, respectively)	85,208,492	86,120,548
Other Assets	7,808,425	5,851,315
Total	$ 414,078,881	$ 418,631,226
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	$ 5,315,000	$ 5,065,000
Accounts payable, construction payable and accrued expenses	23,600,591	24,496,220
Deferred revenue	5,730,237	7,330,546
Accrued bond interest payable	2,114,375	2,241,000
Accrued salaries and wages	6,867,900	5,994,526
Estimated settlements with third-party payors	8,498,718	13,071,014
Total current liabilities	52,126,821	58,198,306
Estimated Settlements with Third-party Payors	50,984,990	49,618,391
Long-Term Debt	88,731,361	95,220,237
Other Long-Term Liabilities	20,348,999	18,378,339
Total liabilities	212,192,171	221,415,273
Net Assets		
Without donor restrictions	191,315,229	184,428,392
With donor restrictions	10,571,481	12,787,561
Total net assets	201,886,710	197,215,953
Total	$ 414,078,881	$ 418,631,226

Trinitas Regional Medical Center Obligated Group

Consolidated Statement of Operations
For the Years Ended December 31, 2018 and 2017
(Unaudited)

	December 2018	December 2017
Revenues		
Net patient service revenue	$ 232,885,014	$ 229,214,871
Other revenue	66,220,758	66,787,624
Net assets released from restrictions used for operations	616,045	749,362
Total revenues	299,721,817	296,751,857
Expenses		
Salaries and wages	139,466,512	137,453,014
Employee benefits	28,441,643	27,281,250
Supplies and other	115,243,266	111,810,524
Depreciation	10,917,882	10,492,885
Interest and amortization	3,101,911	4,605,166
Total expenses	297,171,214	291,642,839
Operating Income	2,550,603	5,109,018
Nonoperating Gains and Losses		
Interest, dividends and other	3,743,770	3,423,425
Net realized gains and losses on investments	883,544	2,277,397
Loss on bond refinancing	-	(1,238,343)
Gain on bargain purchase	148,666	-
Change in unrealized gains and losses on investments	(5,511,251)	3,251,228
Total nonoperating gains and losses	(735,271)	7,713,707
Revenues and Nonoperating Gains Over (Under) Expenses	$ 1,815,332	$ 12,822,725

Trinitas Regional Medical Center Obligated Group
Consolidated Statement of Changes in Net Assets
For the Years Ended December 31, 2018 and 2017
(Unaudited)

	December 2018	December 2017
Without Donor Restrictions:		
Revenues and nonoperating gains over (under) expenses	$ 1,815,332	$ 12,822,725
Net assets released from restrictions used for purchase of property and equipment	5,071,505	5,856,906
Increase (decrease) in without donor restrictions net assets	6,886,837	18,679,631
With Donor Restrictions:		
Contributions	5,681,001	6,520,726
Interest and dividends	13,023	10,332
Change in unrealized gains and (losses) on investments	(54,105)	18,396
Net assets released from restrictions	(5,687,550)	(6,606,268)
Change in beneficial interest in net assets of Trinitas Health Foundation	(2,168,449)	2,696,687
Increase (decrease) in with donor restrictions net assets	(2,216,080)	2,639,873
Increase (Decrease) in Net Assets	4,670,757	21,319,504
Net Assets		
Beginning of year	197,215,953	175,896,449
End of year	$ 201,886,710	$ 197,215,953

Trinitas Regional Medical Center Obligated Group

Consolidated Statement of Cash Flows

For the Years Ended December 31, 2018 and 2017

(Unaudited)

	December 2018	December 2017
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 4,670,757	$ 21,319,504
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	10,917,882	10,492,885
Loss from bond refinancing	-	1,238,343
Amortization of deferred financing costs	79,264	127,514
Amortization of deferred bond premium	(1,332,727)	(1,136,402)
Restricted contributions for capital additions	(5,071,505)	(5,856,906)
Change in net unrealized gains and losses on other than trading securities	5,511,251	(3,251,228)
Net realized gains and losses on investments	(883,544)	(2,277,397)
Change in beneficial interest in net assets of Trinitas Health Foundation	2,168,449	(2,696,687)
Change in assets and liabilities:		
Patient accounts receivable	208,767	(926,781)
Other receivables	(1,044,349)	787,559
Other current assets and other assets	(1,039,850)	(1,063,802)
Accounts payable, construction payable and accrued expenses	(814,103)	(1,578,887)
Deferred revenue	(1,600,309)	1,788,482
Accrued bond interest payable	(126,625)	(1,536,987)
Accrued salaries and wages	873,374	2,085
Estimated settlements with third-party payors	(3,205,697)	(704,384)
Other long-term liabilities	1,970,660	2,154,497
Net cash provided by (used in) operating activities	11,281,695	16,881,408
Cash Flows from Investing Activities		
Acquisition of property and equipment and construction	(10,005,826)	(9,382,487)
Purchases of investments and assets whose use is limited, net	(3,302,421)	13,142,303
Net cash provided by (used in) investing activities	(13,308,247)	3,759,816
Cash Flows from Financing Activities		
Restricted contributions for capital additions	5,071,505	5,856,906
Repayment of long-term debt	(5,065,000)	(7,140,000)
Loan payable assumed	79,587	-
Payment of debt issuance costs	-	(182,529)
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	86,092	(17,923,420)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,940,460)	2,717,804
Cash and Cash Equivalents, Beginning	132,741,105	130,023,301
Cash and Cash Equivalents, Ending	$ 130,800,645	$ 132,741,105
Supplemental Disclosure of Cash Flow Information,		
Interest paid	$ 4,482,000	$ 4,378,113
Gain on bargain purchase	$ 148,666	$ -

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 December 31, 2018 and 2017, its result of operations and its changes in net assets and cash flows for the years ended December 31, 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. 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, 2010.

- 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. For the years ended December 31, 2018 and 2017, net patient service revenue on the consolidated statement of operations includes favorable prior year adjustments in the amounts of $1,326,256 and $1,447,643, 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, 2018 and 2017, revenue was increased by $338,648 and $216,892, 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.

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 $135,423,270 and $146,950,691 for the years ended December 31, 2018 and 2017, respectively.

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

	2018	2017
Medicare	$ 89,974,503	$ 85,124,420
Medicaid	82,147,328	84,725,900
Other third party payors	58,637,666	57,765,313
Self-pay and other	2,125,517	1,599,238
Total	$ 232,885,014	$ 229,217,871

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:

	2018	2017
Medical Center	$ 220,296,586	$ 216,358,048
Long-term care	6,778,427	7,058,842
Physicians practice	5,810,001	5,797,981
Total	$ 232,885,014	$ 229,214,871

4. Healthcare Payment Proposals

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

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

5. Subsequent Events

The Medical Center evaluated subsequent events for recognition or disclosure through February 11, 2019, the date the financial statements were available to be issued.

6. 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. In 2018, the Medical Center has adopted ASU No. 2014-09 on its financial statements.

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. In 2018, the Medical Center adopted ASU No. 2016-01 on its financial statements. In addition, the Medical Center changed its accounting policy for its debt securities from available for sale to trading securities, whereby, equity and debt securities are combined in unrealized gains and losses in the consolidated statement of operations. As part of the adoption of ASU No. 2016-01 and the change in accounting policy, the Medical Center reclassified its changes in unrealized gains and (losses) on investments in the amounts of ($5,511,251) and $3,251,228 to be included in revenues and nonoperating gains in excess of expenses for the years ended December 31, 2018 and 2017, respectively.

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. In 2018, the Medical Center adopted ASU No. 2016-14 on its financial statements. The Medical Center has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources and analysis of expenses by nature and function. These disclosures have been presented for 2018 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources at December 31, 2018.
- The functional expense disclosure for 2018 includes expenses reported both by nature and function.

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.

7. Liquidity and Availability

As of December 31, 2018, financial assets available for general expenditure within one year of the balance sheet date, consists of the following:

Cash and cash equivalents	$ 130,800,645
Accounts receivable, net	27,488,727
Investments	29,820,118
Assets limited to use:	
Board-designated	100,219,111
Total	$ 288,328,601

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.

Additionally, the Medical Center maintains a $5 million line of credit. As of December 31, 2018, $5 million remained available on the Medical Center's line of credit.

8. Functional Expenses

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

	Healthcare Services	Medical Office Building	Management and General	Total
Salaries and wages	$ 121,426,151	$ -	$ 18,040,361	$ 139,466,512
Employee benefits	24,762,641	-	3,679,002	28,441,643
Supplies and other	89,905,241	820,882	24,517,143	115,243,266
Depreciation	9,249,069	418,539	1,250,274	10,917,882
Interest and amoritization	2,732,532	-	369,379	3,101,911
Total	$ 248,075,634	$ 1,239,421	$ 47,856,159	$ 297,171,214

9. Charity Care and Subsidy Revenue

The Medical Center receives subsidy payments from the State of New Jersey to partially fund charity care and certain other program costs. Subsidy payments included in other revenue for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Charity care	$ 29,690,520	$ 30,744,894
Delivery System Reform Incentive Payment	6,320,464	6,339,569
Mental health	1,811,513	1,811,511
Total	$ 37,822,497	$ 38,895,974

As of December 31, 2018 and 2017, the Medical Center received incentive payments for the Delivery System Reform Incentive Payments (DSRIP) in the amounts of $4,851,670 for Year 6 and $7,789,257 for Year 5 and an appeal for Year 4, respectively, whereby the payments are amortized from July 1 through June 30. The unamortized amounts of $2,425,835 and $3,894,628 are 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.

10. 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.

11. 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 December 31, 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 $3.7 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. Non-operating revenue on the consolidated statement of operations includes no recognized revenue for the years ended December 31, 2018 and 2017, respectively.

12. Cogeneration Energy Project

The Medical Center has submitted an application and received 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 in early 2019. The Medical Center expects to close the transaction in the first quarter of 2019.

13. Administrative Services Building Project

In 2019, the Medical Center is finalizing a ground lease with a developer for a 50 year term which will provide annual rental revenue of $47,000 with a 2.5% annual escalator. The land is approximately 50,600 gross square feet (GSF) which is under the current Administrative Services Building located on the Williamson Street Campus. The lease addresses the demolition of the existing building and the construction of a new three floor, 50,599 GSF Medical Office Building by the developer. Further, the Medical Center will be entering into 15 year triple net leases for approximately 17,900 GSF. The Medical Center will also construct a 300 space parking garage at an estimated cost of $10.2 million. The Medical Center expects to obtain approval and finalize this transaction in the first quarter of 2019.

TRINITAS REGIONAL MEDICAL CENTER
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
INPATIENT STATISTICS

	2018 ACTUAL TOTAL	2017 ACTUAL TOTAL
ADMISSIONS		
MEDICAL	6,294	6,926
SURGICAL	1,626	1,597
OBSTETRICS	1,524	1,720
NEWBORN	1,454	1,665
ADULT & ED PSYCH	1,611	1,699
ADOLESCENT PSYCH	511	500
DEVELOP DISABLED	271	300
	13,291	14,407
SAME DAY SURGERY	4,707	4,999
	17,998	19,406
INTERMEDIATE PSYCH	165	207
RESIDENTIAL UNIT	11	10
LONG TERM CARE	294	314
	470	531
PATIENT DAYS		
MEDICAL	33,938	34,711
SURGICAL	12,048	11,580
OBSTETRICS	4,114	4,721
NEWBORN	4,014	5,062
ADULT & ED PSYCH	15,479	16,224
ADOLESCENT PSYCH	4,570	4,770
DEVELOP DISABLED	3,169	3,161
	77,332	80,229
SAME DAY SURGERY	4,707	4,999
	82,039	85,228
INTERMEDIATE PSYCH	7,218	7,473
RESIDENTIAL UNIT	5,237	5,362
LONG TERM CARE	41,889	41,805
	54,344	54,640
ALOS		
MEDICAL	5.4	5.0
SURGICAL	7.4	7.3
OBSTETRICS	2.7	2.7
NEWBORN	2.8	3.0
ADULT & ED PSYCH	9.6	9.5
ADOLESCENT PSYCH	8.9	9.5
DEVELOP DISABLED	11.7	10.5
TOTAL W/O SDS	5.8	5.6
INTERMEDIATE PSYCH	43.7	36.1
RESIDENTIAL UNIT	476.1	536.2
LONG TERM CARE	142.5	133.1
	115.6	102.9
CARDIAC CATH LAB I/P		
CARDIAC CATHS	385	341
EMERGENCY ANGIO	54	50
ELECTIVE ANGIO	129	110
OTHER	144	182
TOTAL	712	683

TRINITAS REGIONAL MEDICAL CENTER
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
OUTPATIENT STATISTICS

	2018 ACTUAL YTD	2017 ACTUAL YTD
EMERGENCY ROOM		
NEWPOINT-PSYCH O/P VISITS	1,772	1,726
WILLIAMSON O/P VISITS	52,898	54,224
TOTAL O/P	54,670	55,950
NEWPOINT ADMISSIONS	1,678	1,806
WILLIAMSON ADMISSIONS	6,932	7,346
TOTAL ADMISSIONS	8,610	9,152
% Total ADMISSIONS FROM ER	64.78%	63.52%
TOTAL EMERGENCY ROOM VISITS	63,280	65,102
OBSERVATION		
WSC OBSERVATON CASES	2,559	1,807
NPC OBSERVATON CASES	180	227
TOTAL OBSERVATION	2,739	2,034
CLINICS		
ADULT OP SERVICES	72,436	78,334
PC (PARTIAL HOSP) SERVICES	7,382	8,056
CHILD/ADOL OP SERVICES	30,531	33,673
YIP (AFTER SCHOOL)	6,832	6,611
IOP SERVICES	2,660	2,305
OTHER CHILD/ADOL SERVICES	68,332	69,647
BAYONNE MH CLINIC	20,286	0
TOTAL PSYCH CLINICS	208,459	198,626
D.B.HERSH CLINIC	8,502	8,749
PEDIATRIC HEALTH CENTER	6,379	6,785
WOMENS HEALTH CENTER	19,617	20,873
WOUND HEALING CENTER	4,102	4,665
MEDICAL CLINIC (EID)	1,530	1,565
TOTAL MEDICAL CLINICS	40,130	42,637
TOTAL CLINICS	248,589	241,263
CANCER CENTER		
OFFICE VISITS	6,562	7,099
INFUSION TREATMENTS	7,504	7,995
RADIATION TREATMENTS	4,413	5,505
CANCER CENTER TOTAL	18,479	20,599
PRIVATE AMBULATORY		
SLEEP CENTER	1,330	1,277
OTHER PRIVATE REFFERRED (1)	54,981	57,264
TOTAL PRIVATE AMBULATORY	56,311	58,541
O/P RENAL TREATMENTS		
O/P HEMODIALYSIS	19,910	20,799
HOME DIALYSIS	1,685	1,587
LINDEN SATELLITE	13,120	12,633
TOTAL RENAL TREATMENTS	34,715	35,019
AMBULANCE RUNS	5,742	6,134
SCTU RUNS	222	242
MICU RUNS	3,594	3,706
SDS (FROM IP SCHEDULE)	4,707	4,999
TOTAL O/P VISITS (INCLUDING SDS)	429,768	428,487
PAID PHYSICIAN ENCOUNTERS	124,161	
CARDIAC CATH LAB O/P		
CARDIAC CATHS	460	453
ELECTIVE ANGIOPLASTY	97	121
OTHER	141	123
TOTAL	698	697

Trinitas Regional Medical Center Obligated Group

Debt Service Calculation Certificate

(Twelve Month Rolling Average)

(Unaudited)

		December 2018
Funds Available for Debt Service		
Net increase in unrestricted net assets	$	6,886,837
Reconciling items:		
Depreciation		10,917,882
Interest and amortization		3,101,911
Net assets released from restrictions used for purchase of property and equipment		(5,071,505)
Gain on bargain purchase		(148,666)
Change in net unrealized gains and losses on investments		5,511,251
Total	$	21,197,710
Maximum annual debt service	$	9,628,587
Actual ratio		2.20
Required ratio		1.25

Trinitas Regional Medical Center Obligated Group

Cushion Ratio Calculation Certificate

(Twelve Month Rolling Average)

(Unaudited)

		December 2018
Cushion Ratio		
Cash and investments	$	154,982,880
Internally designated funds		100,753,781
Total	$	255,736,660
Maximum annual debt service		
Series 2016A and 2017A bonds payable	$	9,549,000
Loan payable		79,587
Total maximum annual debt service	$	9,628,587
Cushion ratio		26.56
Required ratio		1.25