

Trinitas Regional Medical Center Obligated Group

Consolidated Balance Sheet
At December 31, 2019 and 2018
(Unaudited)

	December 2019	December 2018
Assets		
Current Assets:		
Cash and cash equivalents (includes certificates of deposit)	\$ 126,723,117	\$ 130,800,645
Assets whose use is limited	4,870,024	4,795,508
Patient accounts receivable, net	31,733,480	27,488,727
Other receivables	3,220,611	3,640,921
Other current assets	8,694,712	5,106,329
Total current assets	<u>175,241,944</u>	<u>171,832,130</u>
Assets Whose Use is Limited and Investments		
Assets whose use is limited:		
Internally designated	115,276,041	100,219,111
Other internally designated	11,098,099	8,619,129
Donor restricted	5,200,026	2,980,536
Investments	33,638,018	29,820,118
Total assets whose use is limited and investments	<u>165,212,184</u>	<u>141,638,894</u>
Beneficial Interest in Net Assets of Trinitas Health Foundation	8,096,265	7,590,940
Property and Equipment (net of accumulated depreciation of \$274,383,000 and \$263,598,000 in 2019 and 2018, respectively)	85,804,833	85,208,492
Right-of-Use Assets	11,003,177	-
Other Assets	<u>6,592,602</u>	<u>7,808,425</u>
Total	<u>\$ 451,951,005</u>	<u>\$ 414,078,881</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	\$ 5,580,000	\$ 5,315,000
Accounts payable, construction payable and accrued expenses	25,433,487	23,600,591
Deferred revenue	7,599,914	5,730,237
Accrued bond interest payable	1,981,500	2,114,375
Accrued salaries and wages	7,019,729	6,867,900
Estimated settlements with third-party payors	7,865,071	8,498,718
Total current liabilities	<u>55,479,701</u>	<u>52,126,821</u>
Estimated Settlements with Third-party Payors	55,674,298	50,984,990
Long-Term Debt	81,676,371	88,731,361
Lease Liabilities	11,003,177	-
Other Long-Term Liabilities	<u>21,581,564</u>	<u>20,348,999</u>
Total liabilities	<u>225,415,111</u>	<u>212,192,171</u>
Net Assets		
Without donor restrictions	213,239,598	191,315,229
With donor restrictions	13,296,296	10,571,481
Total net assets	<u>226,535,894</u>	<u>201,886,710</u>
Total	<u>\$ 451,951,005</u>	<u>\$ 414,078,881</u>

Trinitas Regional Medical Center Obligated Group
 Consolidated Statement of Operations
 For the Years Ended December 31, 2019 and 2018
 (Unaudited)

	December 2019	December 2018
Revenues		
Net patient service revenue	\$ 236,128,027	\$ 232,885,014
Other revenue	65,740,776	66,220,758
Net assets released from restrictions used for operations	720,124	616,045
Total revenues	302,588,927	299,721,817
Expenses		
Salaries and wages	142,479,579	139,466,512
Employee benefits	29,324,510	28,441,643
Supplies and other	117,214,250	115,243,266
Depreciation	10,785,196	10,917,882
Interest and amortization	2,638,358	3,101,911
Total expenses	302,441,893	297,171,214
Operating Income	147,034	2,550,603
Nonoperating Gains and Losses		
Interest, dividends and other	4,049,683	3,743,770
Net realized gains and losses on investments	988,856	883,544
Gain on bargain purchase	-	148,666
Change in unrealized gains and (losses) on investments	14,309,123	(5,511,251)
Total nonoperating gains and (losses)	19,347,662	(735,271)
Revenues and Nonoperating Gains Over (Under) Expenses	\$ 19,494,696	\$ 1,815,332

Trinitas Regional Medical Center Obligated Group
Consolidated Statement of Changes in Net Assets
For the Years Ended December 31, 2019 and 2018
(Unaudited)

	December 2019	December 2018
Without Donor Restrictions:		
Revenues and nonoperating gains over (under) expenses	\$ 19,494,696	\$ 1,815,332
Net assets released from restrictions used for purchase of property and equipment	2,429,673	5,071,505
Increase (decrease) in without donor restrictions net assets	21,924,369	6,886,837
With Donor Restrictions:		
Contributions	4,401,297	5,681,001
Grants	870,000	-
Interest and dividends	14,668	13,023
Change in unrealized gains and (losses) on investments	83,322	(54,105)
Net assets released from restrictions	(3,149,797)	(5,687,550)
Change in beneficial interest in net assets of Trinitas Health Foundation	505,325	(2,168,449)
Increase (decrease) in with donor restrictions net assets	2,724,815	(2,216,080)
Increase in Net Assets	24,649,184	4,670,757
Net Assets		
Beginning of year	201,886,710	197,215,953
End of year	\$ 226,535,894	\$ 201,886,710

Trinitas Regional Medical Center Obligated Group
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018
(Unaudited)

	December 2019	December 2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 24,649,184	\$ 4,670,757
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	10,785,196	10,917,882
Lease expense	3,795,132	-
Amortization of deferred financing costs	76,825	79,264
Amortization of deferred bond premium	(1,540,446)	(1,332,727)
Restricted contributions for capital additions	(2,429,673)	(5,071,505)
Gain on bargain purchase and debt forgiveness	(11,370)	(160,036)
Change in net unrealized gains and losses on other than trading securities	(14,309,123)	5,511,251
Net realized gains and losses on investments	(988,856)	(883,544)
Change in beneficial interest in net assets of Trinitas Health Foundation	(505,325)	2,168,449
Change in assets and liabilities:		
Patient accounts receivable	(4,255,942)	208,767
Other receivables	431,499	(1,044,349)
Other current assets and other assets	(2,295,377)	(1,039,850)
Accounts payable, construction payable and accrued expenses	1,598,320	(814,102)
Deferred revenue	1,869,677	(1,600,309)
Accrued bond interest payable	(132,875)	(126,625)
Accrued salaries and wages	151,829	873,374
Estimated settlements with third-party payors	4,055,661	(3,205,697)
Other long-term liabilities	1,232,565	1,970,660
Lease payments	(3,637,738)	-
Net cash provided by operating activities	18,539,163	11,121,660
Cash Flows from Investing Activities		
Acquisition of property and equipment and construction	(11,381,537)	(9,766,203)
Purchases of investments and assets whose use is limited, net	(8,349,827)	(3,302,422)
Net cash used in investing activities	(19,731,364)	(13,068,625)
Cash Flows from Financing Activities		
Restricted contributions for capital additions	2,429,673	5,071,505
Repayment of long-term debt	(5,315,000)	(5,065,000)
Net cash provided by (used in) financing activities	(2,885,327)	6,505
Net Decrease in Cash and Cash Equivalents	(4,077,528)	(1,940,460)
Cash and Cash Equivalents, Beginning	130,800,645	132,741,105
Cash and Cash Equivalents, Ending	\$ 126,723,117	\$ 130,800,645
Supplemental Disclosure of Cash Flow Information,		
Interest paid	\$ 4,234,854	\$ 4,482,000
Supplemental Disclosure of Non-Cash Investing and Financing Activities,		
Assets acquired through bargain purchase	\$ -	\$ 239,623
Long-term debt assumed through bargain purchase	\$ -	\$ 90,957

Trinitas Regional Medical Center Obligated Group

Notes to Consolidated Financial Statements

December 31, 2019

(Unaudited)

1. Reporting Organizations

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

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

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

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

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

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

2. Presentation

The consolidated financial statements are unaudited and include all adjustments which are, in the opinion of Management, necessary for a fair presentation of the Obligated Group's financial position at December 31, 2019 and 2018, its result of operations and its changes in net assets and cash flows for the years ended December 31, 2019 and 2018 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, 2018.

3. Net Patient Service Revenue

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

Trinitas Regional Medical Center Obligated Group

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(Unaudited)

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

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

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

The composition of the Medical Center's patient care service revenue by payor (which excludes state subsidies) for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 90,586,709	\$ 89,974,503
Medicaid	84,375,534	82,147,328
Other third party payors	58,703,352	58,637,666
Self-pay and other	<u>2,462,432</u>	<u>2,125,517</u>
Total	<u>\$ 236,128,027</u>	<u>\$ 232,885,014</u>

The composition of patient care service revenue based on the Medical Center's lines of business (which excludes state subsidies) for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Medical Center	\$ 223,148,404	\$ 220,296,586
Long-term care	7,255,100	6,778,427
Physicians practice	<u>5,724,523</u>	<u>5,810,001</u>
Total	<u>\$ 236,128,027</u>	<u>\$ 232,885,014</u>

Trinitas Regional Medical Center Obligated Group

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(Unaudited)

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, 2015.
- 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, 2016.
- 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, 2019 and 2018, respectively, \$1,617,334 and \$1,326,256 was recorded as a positive transaction price adjustment in net patient service revenue in the consolidated statement of operations related to final settlements of prior year cost reports and other settlements.

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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, 2019 and 2018, revenue was increased by \$544,031 and \$338,648, respectively, due to changes in estimates of implicit price concessions for performance obligations satisfied in prior years.

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

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

4. Healthcare Payment Proposals

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

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

5. Subsequent Events

The Medical Center evaluated subsequent events for recognition or disclosure through February 10, 2020, the date the financial statements were available to be issued.

6. New Accounting Pronouncements

Revenue Recognition

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

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The most significant impact of adopting the new standard is within the consolidated statements of operations. Certain patient activity where collections was uncertain, previously included as net patient service revenue and separately recorded as the provision for bad debts, no longer meets the criteria for revenue recognition. Accordingly, net patient service revenue has been reduced by the amounts previously reported as the provision for bad debts and accordingly the provision for bad debts has been eliminated. Such patient activity, previously reported as the provision for bad debts (representing approximately \$18.6 million and \$16.7 million for the years ended December 31, 2019 and 2018, respectively) is now classified as an implicit price concession. In addition, the Medical Center eliminated the related presentation of the allowance for doubtful accounts on the consolidated balance sheet as a result of the adoption of the new standard.

Financial Assets and Liabilities

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 consolidated financial statements for certain financial instruments. In 2018, the Medical Center adopted ASU No. 2016-01 on its consolidated 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 reported its changes in unrealized gains and (losses) on investments in the amounts of \$14,309,123 and (\$5,511,251) to be included in non-operating gains (losses) within revenues in excess of expenses for the years ended December 31, 2019 and 2018, respectively.

Presentation of Financial Statements of Not-for-Profit Entities

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 consolidated financial statements. The Medical Center has adjusted the presentation of these consolidated financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented. 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, 2019 and 2018 (Note 7).
- The functional expense disclosure for 2019 and 2018 includes expenses reported both by nature and function (Note 9).

Trinitas Regional Medical Center Obligated Group
Notes to Consolidated Financial Statements
December 31, 2019
(Unaudited)

7. Liquidity and Availability

As of December 31, 2019 and 2018, financial assets available for general expenditure within one year of the balance sheet date, consists of the following:

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

	2019	2018
Cash and cash equivalents	\$ 126,723,117	\$ 130,800,645
Accounts receivable, net	31,733,480	27,488,727
Investments	33,638,018	29,820,118
Assets limited to use:		
Board-designated	115,276,041	100,219,111
Total	\$ 307,370,656	\$ 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 that expires December 10, 2020. As of December 31, 2019, \$5 million remained available on the Medical Center's line of credit.

8. Right-of-Use Operating Leases

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 has retrospectively adopted the guidance in ASU No. 2016-02 for years beginning after December 15, 2018. The Medical Center has determined that as a result of ASU No. 2016-02, on January 1, 2019, the Medical Center has recorded right-of-use assets and lease liabilities of approximately \$11 million on the consolidated balance sheet.

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(Unaudited)

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

For the years ended December 31, 2019, the components of the leases were as follows:

	Equipment Leases	Real Estate Leases	Total
Operating lease expense	\$ 1,624,213	\$ 2,170,919	\$ 3,795,132

For the years ended December 31, 2019, supplemental cash flow information related to leases was as follows:

	Equipment Leases	Real Estate Leases	Total
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 1,534,393	\$ 2,103,345	\$ 3,637,738

As of December 31, 2019, supplemental balance sheet information related to leases was as follows:

	Equipment Leases	Real Estate Leases	Total
Operating Leases			
Right-of-use assets	\$ 5,032,867	\$ 5,970,310	\$ 11,003,177
Lease liabilities	\$ 5,032,867	\$ 5,970,310	\$ 11,003,177
Weighted Average Remaining Lease Term			
Operating leases	5 years	7 years	6 years
Weighted Average Discount Rate			
Operating leases	6%	6%	6%

As of December 31, 2019, maturities of lease liabilities were as follows:

	Equipment Leases	Real Estate Leases	Total
Year Ending December 31,			
2020	\$ 1,361,448	\$ 1,242,597	\$ 2,604,045
2021	1,313,242	1,082,476	2,395,718
2022	1,280,113	1,077,524	2,357,637
2023	1,157,558	1,092,193	2,249,751
2024	1,067,335	1,107,260	2,174,595
Thereafter	131,066	2,395,241	2,526,307
Total lease payments	6,310,762	7,997,291	14,308,053
Less imputed interest	(1,277,895)	(2,026,981)	(3,304,876)
Total	\$ 5,032,867	\$ 5,970,310	\$ 11,003,177

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Notes to Consolidated Financial Statements

December 31, 2019

(Unaudited)

9. Functional Expenses

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

Functional expenses for the year ended December 31, 2019

	Healthcare Services	Medical Office Building	General and Administrative	Total
Salaries and wages	\$ 124,049,470	\$ -	\$ 18,430,109	\$ 142,479,579
Employee benefits	25,531,307	-	3,793,203	29,324,510
Supplies and other	91,443,991	833,804	24,936,455	117,214,250
Depreciation	9,160,287	389,830	1,235,079	10,785,196
Interest and amortization	2,324,179	-	314,179	2,638,358
Total	\$ 252,509,234	\$ 1,223,634	\$ 48,709,025	\$ 302,441,893

Functional expenses for the year ended December 31, 2018

	Healthcare Services	Medical Office Building	General and Administrative	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 amortization	2,732,532	-	369,379	3,101,911
Total	\$ 248,075,634	\$ 1,239,421	\$ 47,856,159	\$ 297,171,214

10. 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, 2019 and 2018 are as follows:

	2019	2018
Charity care	\$ 29,343,573	\$ 29,690,520
Delivery System Reform Incentive Payment (DSRIP)	6,732,195	6,320,464
Mental health	1,811,512	1,811,513
Total	\$ 37,887,280	\$ 37,822,497

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December 31, 2019

(Unaudited)

The Medical Center is amortizing the DSRIP incentive payments over the program's respective fiscal years, which end on June 30. For the years ended December 31, 2019 and 2018, \$6,732,195 and \$6,320,464 of the incentive payments were recognized in other revenue in the consolidated statement of operations, 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.

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 \$149,951,630 and \$135,423,270 for the years ended December 31, 2019 and 2018, respectively.

11. Long-term Debt

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

The Medical Center has outstanding Authority Refunding Bonds, Series 2017A (the "Series 2017A Bonds"), bearing interest at 5 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.

12. Cogeneration Energy Project

The Medical Center has received approval from the Energy Resilience Bank ("ERB"), for a plant electrical and steam generation project. The project provides additional energy production which will be powered by natural gas during prolonged electrical outages. The project has an estimated cost of \$10.1 million. The financing of the project consists 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 at 2% payable over 20 years. A portion of the grants, approximately \$520,000, has to be repaid over ten years, interest free. Final construction and engineering costs were finalized and approved by ERB and HUD and the transaction closed during the first quarter of 2019 and construction is expected to begin in the first quarter of 2020. The debt and grants will be drawn down as construction occurs and there is no interest charged during the construction period. At the completion of the project, the loan will be finalized and payment amortization will begin. At December 31, 2019, project costs of \$386,376 are reflected in property and equipment, net and in deferred grant revenue, respectively, on the consolidated balance sheet.

Trinitas Regional Medical Center Obligated Group

Notes to Consolidated Financial Statements

December 31, 2019

(Unaudited)

13. Administrative Services Building Project

In June of 2019, the Medical Center signed various agreements with a developer subject to various regulatory approvals and the developer being able to obtain financing. The project includes the demolition of the existing Administration Services Building and construction of an approximately 46,000 rentable square feet (RSF) Medical Office building, to be owned by the developer or designee. Further the Medical Center entered into agreements with the developer for a ground lease, medical office space lease and the construction of a parking garage. The ground lease covers a term of 50 years, .6455 of an acre and annual rental income of \$47,004, indexed by annual increases of 2.5% for the first ten years then adjusted to market value. The medical office space lease key terms are for a term of 15 years, for approximately 18,000 RSF, at \$25.35 RSF indexed by annual increases of 2.5% plus operating expenses and fit out costs of approximately \$4.3 million. Lastly, the key terms of the parking garage construction contract are for a four story, 300 spaces garage for \$10,188,472. At the commencement date, (completion of construction) a final determination will be made to determine the accounting for the leases. The expected completion date is 12 to 18 months from the date of obtaining all necessary approvals. All necessary approvals have not presently been obtained.

14. Discussions With RWJ Barnabas

The Medical Center is currently engaged in potential affiliation negotiations with RWJ Barnabas Health, Inc. (the "Corporation") located in West Orange, New Jersey. The Medical Center and the Corporation have entered into a Non-disclosure Agreement and a Letter of Intent. It is not currently possible to determine if, or when, a transaction with the Corporation will be completed.

**TRINITAS REGIONAL MEDICAL CENTER
DECEMBER 31, 2019 AND 2018
INPATIENT STATISTICS**

	2019 ACTUAL TOTAL	2018 ACTUAL TOTAL
ADMISSIONS		
MEDICAL	5,421	6,294
SURGICAL	1,477	1,626
OBSTETRICS	1,461	1,524
NEWBORN	1,387	1,454
ADULT & ED PSYCH	1,583	1,611
ADOLESCENT PSYCH	441	511
DEVELOP DISABLED	252	271
	<u>12,022</u>	<u>13,291</u>
SAME DAY SURGERY	4,080	4,707
	<u>16,102</u>	<u>17,998</u>
INTERMEDIATE PSYCH	145	165
RESIDENTIAL UNIT	13	11
LONG TERM CARE	190	294
	<u>348</u>	<u>470</u>
PATIENT DAYS		
MEDICAL	30,558	33,938
SURGICAL	11,367	12,048
OBSTETRICS	4,044	4,114
NEWBORN	4,009	4,014
ADULT & ED PSYCH	15,464	15,479
ADOLESCENT PSYCH	3,859	4,570
DEVELOP DISABLED	3,172	3,169
	<u>72,473</u>	<u>77,332</u>
SAME DAY SURGERY	4,080	4,707
	<u>76,553</u>	<u>82,039</u>
INTERMEDIATE PSYCH	6,170	7,218
RESIDENTIAL UNIT	5,270	5,237
LONG TERM CARE	41,335	41,889
	<u>52,775</u>	<u>54,344</u>
ALOS		
MEDICAL	5.6	5.4
SURGICAL	7.7	7.4
OBSTETRICS	2.8	2.7
NEWBORN	2.9	2.8
ADULT & ED PSYCH	9.8	9.6
ADOLESCENT PSYCH	8.8	8.9
DEVELOP DISABLED	12.6	11.7
TOTAL W/O SDS	<u>6.0</u>	<u>5.8</u>
INTERMEDIATE PSYCH	42.6	43.7
RESIDENTIAL UNIT	405.4	476.1
LONG TERM CARE	217.6	142.5
	<u>151.7</u>	<u>115.6</u>
CARDIAC CATH LAB I/P		
CARDIAC CATHS	349	385
EMERGENCY ANGIO	51	54
ELECTIVE ANGIO	91	129
OTHER	141	144
TOTAL	<u>632</u>	<u>712</u>

**TRINITAS REGIONAL MEDICAL CENTER
DECEMBER 31, 2019 AND 2018
OUTPATIENT STATISTICS**

	2019 ACTUAL YTD	2018 ACTUAL YTD
EMERGENCY ROOM		
NEWPOINT-PSYCH O/P VISITS	1,658	1,772
WILLIAMSON O/P VISITS	53,112	52,898
TOTAL O/P	<u>54,770</u>	<u>54,670</u>
NEWPOINT ADMISSIONS	1,570	1,678
WILLIAMSON ADMISSIONS	5,876	6,932
TOTAL ADMISSIONS	<u>7,446</u>	<u>8,610</u>
% Total ADMISSIONS FROM ER	61.94%	64.78%
TOTAL EMERGENCY ROOM VISITS	<u>62,216</u>	<u>63,280</u>
OBSERVATION		
WSC OBSERVATON CASES	3,746	2,559
NPC OBSERVATON CASES	118	180
TOTAL OBSERVATION	<u>3,864</u>	<u>2,739</u>
CLINICS		
ADULT OP SERVICES	70,511	72,436
PC (PARTIAL HOSP) SERVICES	6,543	7,382
CHILD/ADOL OP SERVICES	30,676	30,531
YIP (AFTER SCHOOL)	6,918	6,832
IOP SERVICES	2,384	2,660
OTHER CHILD/ADOL SERVICES	67,439	68,332
BAYONNE MH CLINIC	25,075	20,286
TOTAL PSYCH CLINICS	<u>209,546</u>	<u>208,459</u>
D.B.HERSH CLINIC	8,176	8,502
PEDIATRIC HEALTH CENTER	5,231	6,379
WOMENS HEALTH CENTER	19,606	19,617
WOUND HEALING CENTER	3,805	4,102
MEDICAL CLINIC (EID)	1,532	1,530
TOTAL MEDICAL CLINICS	<u>38,350</u>	<u>40,130</u>
TOTAL CLINICS	<u>247,896</u>	<u>248,589</u>
CANCER CENTER		
OFFICE VISITS	7,027	6,562
INFUSION TREATMENTS	6,847	7,504
RADIATION TREATMENTS	4,496	4,413
CANCER CENTER TOTAL	18,370	18,479
PRIVATE AMBULATORY		
SLEEP CENTER	1,364	1,330
OTHER PRIVATE REFERRED (1)	53,465	54,981
TOTAL PRIVATE AMBULATORY	54,829	56,311
O/P RENAL TREATMENTS		
O/P HEMODIALYSIS	21,344	19,910
HOME DIALYSIS	1,942	1,685
CRANFORD RENAL	588	0
LINDEN SATELLITE	12,774	13,120
TOTAL RENAL TREATMENTS	<u>36,648</u>	<u>34,715</u>
AMBULANCE RUNS	5,942	5,742
SCTU RUNS	227	222
MICU RUNS	3,324	3,594
SDS (FROM IP SCHEDULE)	4,080	4,707
TOTAL O/P VISITS (INCLUDING SDS)	<u>429,950</u>	<u>429,768</u>
PAID PHYSICIAN ENCOUNTERS	148,778	
CARDIAC CATH LAB O/P		
CARDIAC CATHS	495	460
ELECTIVE ANGIOPLASTY	132	97
OTHER	219	141
TOTAL	<u>846</u>	<u>698</u>

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

		December 2019
Funds Available for Debt Service		
Net increase in unrestricted net assets	\$	21,924,369
Reconciling items:		
Depreciation		10,785,196
Interest and amortization		2,638,358
Net assets released from restrictions used for purchase of property and equipment		(2,429,673)
Change in net unrealized gains and losses on investments		(14,309,123)
Total	\$	18,609,127
 Maximum annual debt service	 \$	 9,617,217
 Actual ratio		 1.93
 Required ratio		 1.25

Trinitas Regional Medical Center Obligated Group

Cushion Ratio Calculation Certificate

(Twelve Month Rolling Average)

(Unaudited)

	December 2019
Cushion Ratio	
Cash and investments	\$ 156,978,881
Internally designated funds	110,948,740
Total	<u>\$ 267,927,621</u>
Maximum annual debt service	
Series 2016A and 2017A bonds payable	\$ 9,549,000
Loan payable	68,217
Total maximum annual debt service	<u>\$ 9,617,217</u>
Cushion ratio	27.86
Required ratio	1.25