Trinitas Regional Medical Center Obligated Group

Consolidated Balance Sheet

At March 31, 2020 and December 31, 2019

(Unaudited)

	March 2020	December 2019
Assets		
Current Assets:		
Cash and cash equivalents (includes certificates of deposit)	$ 116,732,191	$ 126,723,117
Assets whose use is limited	5,251,192	4,870,024
Patient accounts receivable, net	29,556,872	31,733,480
Other receivables	7,175,453	3,220,611
Other current assets	7,862,458	8,000,940
Total current assets	166,578,166	174,548,172
Assets Whose Use is Limited and Investments		
Assets whose use is limited:		
Internally designated	106,470,452	115,276,041
Other internally designated	9,807,324	11,098,099
Donor restricted	4,615,723	5,200,026
Investments	31,673,554	33,638,018
Total assets whose use is limited and investments	152,567,053	165,212,184
Beneficial Interest in Net Assets of Trinitas Health Foundation	10,021,509	8,096,265
Property and Equipment (net of accumulated depreciation of $271,560,000 and $274,383,000 in 2020 and 2019, respectively)	86,119,538	85,804,833
Right-of-Use Assets	11,375,224	11,003,177
Other Assets	6,592,602	6,592,602
Total	$ 433,254,092	$ 451,257,233
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	$ 5,580,000	$ 5,580,000
Current portion of operating lease obligation	2,195,978	2,317,590
Accounts payable, construction payable and accrued expenses	24,044,228	24,739,715
Deferred revenue	7,789,785	7,599,914
Accrued bond interest payable	955,875	1,981,500
Accrued salaries and wages	4,616,072	7,019,729
Estimated settlements with third-party payors	8,136,365	7,865,071
Total current liabilities	53,318,303	57,103,519
Estimated Settlements with Third-party Payors	55,231,168	55,674,298
Long-Term Debt	81,370,219	81,676,371
Operating Lease Obligations	9,179,246	8,685,587
Other Long-Term Liabilities	20,245,999	21,581,564
Total liabilities	219,344,935	224,721,339
Net Assets		
Without donor restrictions	199,271,925	213,239,598
With donor restrictions	14,637,232	13,296,296
Total net assets	213,909,157	226,535,894
Total	$ 433,254,092	$ 451,257,233

Trinitas Regional Medical Center Obligated Group
Consolidated Statement of Operations
For the Three Months Ended March 31, 2020 and 2019
(Unaudited)

	March 2020	March 2019
Revenues		
Net patient service revenue	$ 54,812,947	$ 57,293,208
Other revenue	16,801,955	16,213,888
Net assets released from restrictions used for operations	141,478	197,042
Total revenues	71,756,380	73,704,138
Expenses		
Salaries and wages	35,461,640	34,570,072
Employee benefits	7,509,130	7,256,979
Supplies and other	29,184,312	28,573,712
Depreciation	2,768,255	2,822,516
Interest and amortization	651,661	668,663
Total expenses	75,574,998	73,891,942
Operating Loss	(3,818,618)	(187,804)
Nonoperating Gains and (Losses)		
Interest, dividends and other	1,040,448	968,881
Net realized gains and losses on investments	1,369,242	186,224
Change in unrealized gains and (losses) on investments	(13,116,591)	6,351,685
Total nonoperating gains and (losses)	(10,706,901)	7,506,790
Revenues and Nonoperating Gains Over (Under) Expenses	$ (14,525,519)	$ 7,318,986

Trinitas Regional Medical Center Obligated Group
Consolidated Statement of Changes in Net Assets
For the Three Months Ended March 31, 2020 and 2019
(Unaudited)

	March 2020	March 2019
Without Donor Restrictions:		
Revenues and nonoperating gains over (under) expenses	$ (14,525,519)	$ 7,318,986
Net assets released from restrictions used for purchase of property and equipment	557,841	1,012,471
Increase (decrease) in without donor restrictions net assets	(13,967,678)	8,331,457
With Donor Restrictions:		
Contributions	136,237	1,457,747
Grants	-	870,000
Interest and dividends	3,667	3,133
Change in unrealized gains and (losses) on investments	(24,888)	41,120
Net assets released from restrictions	(699,319)	(1,209,513)
Change in beneficial interest in net assets of Trinitas Health Foundation	1,925,244	(918,033)
Increase (decrease) in with donor restrictions net assets	1,340,941	244,454
Increase (Decrease) in Net Assets	(12,626,737)	8,575,911
Net Assets		
Beginning of year	226,535,894	201,886,710
End of year	$ 213,909,157	$ 210,462,621

Trinitas Regional Medical Center Obligated Group
Consolidated Statement of Cash Flows
For the Three Months Ended March 31, 2020 and 2019
(Unaudited)

	March 2020	March 2019
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ (12,626,737)	$ 8,575,911
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,768,255	2,822,516
Lease expense	938,074	904,977
Change in right-of-use asset and lease obligation, net	75	-
Amortization of deferred financing costs	17,988	19,206
Amortization of deferred bond premium	(324,140)	(374,950)
Restricted contributions for capital additions	(557,841)	(1,012,471)
Change in net unrealized gains and losses on other than trading securities	13,116,591	(6,351,685)
Net realized gains and losses on investments	(1,369,242)	(186,224)
Change in beneficial interest in net assets of Trinitas Health Foundation	(1,925,244)	918,033
Change in assets and liabilities:		
Patient accounts receivable	2,280,770	(13,861)
Other receivables	(4,043,880)	302,913
Other current assets and other assets	(359,669)	(1,775,658)
Accounts payable, construction payable and accrued expenses	(212,461)	(1,186,759)
Deferred revenue	189,871	(2,256,850)
Accrued bond interest payable	(1,025,625)	(1,090,407)
Accrued salaries and wages	(2,403,657)	(2,763,861)
Estimated settlements with third-party payors	(171,836)	1,259,940
Other long-term liabilities	(1,335,565)	990,960
Lease payments	(938,149)	(904,977)
Net cash used in operating activities	(7,982,422)	(2,123,247)
Cash Flows from Investing Activities		
Acquisition of property and equipment and construction	(3,082,959)	(995,685)
Purchases of investments and assets whose use is limited, net	334,703	(1,882,599)
Net cash used in investing activities	(2,748,256)	(2,878,284)
Cash Flows from Financing Activities		
Restricted contributions for capital additions	557,841	1,012,471
Net cash provided by financing activities	557,841	1,012,471
Net Decrease in Cash and Cash Equivalents	(10,172,837)	(3,989,060)
Cash and Cash Equivalents, Beginning	135,274,979	137,141,823
Cash and Cash Equivalents, Ending	$ 125,102,142	$ 133,152,763
Supplemental Disclosure of Cash Flow Information, Interest paid	$ 1,983,438	$ 2,114,813
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents:		
Cash and cash equivalents	$ 116,732,191	$ 125,414,919
Current portion of assets whose use is limited, under trust indenture	5,251,192	5,070,806
Assets whose use is limited, included in donor restricted	3,118,759	2,667,038
Total cash, cash equivalents and restricted cash and cash equivalents	$ 125,102,142	$ 133,152,763

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 March 31, 2020 and December 31, 2019, its result of operations and its changes in net assets and cash flows for the three months ended March 31, 2020 and 2019 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, 2019.

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.

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 three months ended March 31, 2020 and 2019 is as follows:

	2020	2019
Medicare	$ 20,768,285	$ 216,355,99
Medicaid	19,051,157	21,768,262
Other third party payors	14,454,290	13,294,530
Self-pay and other	539,215	594,817
Total	$ 54,812,947	$ 57,293,208

The composition of patient care service revenue based on the Medical Center's lines of business (which excludes state subsidies) for the three months ended March 31, 2020 and 2019 is as follows:

	2020	2019
Medical Center	$ 51,437,552	$ 54,312,642
Long-term care	1,838,465	1,684,674
Physicians practice	1,536,930	1,295,892
Total	$ 54,812,947	$ 57,593,208

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 three months ended March 31, 2020 and 2019, respectively, $636,423 and $-0- 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.

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 three months ended March 31, 2020 and 2019, revenue was increased by $166,394 and $487,236, 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 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 May 14, 2020, the date the financial statements were available to be issued.

The COVID-19 pandemic continues to evolve rapidly in the State of New Jersey. In response to the pandemic, the Governor of New Jersey has declared a state of emergency and President Trump has declared a national state of emergency. Although the number of diagnosed, active cases in the tri-state area is just starting to show signs of leveling off in mid-May, the impact will continue to be felt for an extended period of time as providers begin to work toward bringing operations back once the declared state of emergencies are lifted.

The COVID-19 outbreak is disrupting business activity across a range of industries. The extent of the impact of COVID-19 on the Medical Center's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the demand for the Medical Center's services, the availability of staff and needed supplies, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 will impact the Medical Center's future financial condition or results of operations is uncertain.

In April 2020, the Medical Center received from Medicare advance payments in the amount of $25,998,463 for which payback is required within one year and CARES Act Stimulus payments in the amount totaling $4,657,775 relating to the COVID-19 outbreak. The Medical Center also received three months advanced payments from Medicaid for Charity and GME subsidies in the amount of $7,986,539. Further, the Medical Center received enhanced Medicare rates and State funds for the uninsured patients. In May 2020, the Medical Center received additional CARES Act Stimulus payments in the amount of $27,620,560. The CARES Act Stimulus payments are subject to certain quarterly reporting requirements concerning how the funds are spent. Lastly, the Medical Center is evaluating and pursuing various grants and insurance recoveries including Business Interruption and Federal Emergency Management Agency (FEMA). The outcomes of these recoveries are not determinable at this time. In the consolidated statement of operations, $333,011 has been recognized as net patient service revenue for the three months ended March 31, 2020.

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.

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 $4.2 million and $4.3 million for the three months ended March 31, 2020 and 2019, 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 ($13,116,591) and $6,351,685 to be included in non-operating gains (losses) within revenues in excess of expenses for the three months ended March 31, 2020 and 2019, 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 March 31, 2020 and 2019 (Note 7).
- The functional expense disclosure for 2020 and 2019 includes expenses reported both by nature and function (Note 9).

7. Liquidity and Availability

As of March 31, 2020 and 2019, 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:

	2020	2019
Cash and cash equivalents	$ 116,732,191	$ 125,414,919
Accounts receivable, net	29,556,872	27,421,813
Investments	29,556,872	31,350,001
Assets limited to use:		
Board-designated	106,470,452	106,039,746
Total	$ 282,316,387	$ 290,226,479

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 March 31, 2020, $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 $14.4 million on the consolidated balance sheet.

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 three months ended March 31, 2020, the components of the leases were as follows:

	Equipment Leases	Real Estate Leases	Total
Operating lease expense	$ 427,619	$ 510,455	$ 938,074

For the three months ended March 31, 2020, 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	$ 433,595	$ 504,554	$ 938,149

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

	Equipment Leases	Real Estate Leases	Total
Operating Leases			
Right-of-use assets	$ 4,934,540	$ 6,440,684	$ 11,375,224
Lease liabilities	$ 4,934,540	$ 6,440,684	$ 11,375,224
Weighted Average Remaining Lease Term			
Operating leases	5 years	7 years	5.8 years
Weighted Average Discount Rate			
Operating leases	6%	6%	6%

As of March 31, 2020, maturities of lease liabilities were as follows:

	Equipment Leases	Real Estate Leases	Total
Year Ending December 31,			
2020 (nine months)	$ 1,300,785	$ 1,513,661	$ 2,814,446
2021	1,313,374	1,302,071	2,615,445
2022	1,280,245	1,077,524	2,357,769
2023	1,157,690	1,092,173	2,249,863
2024	1,067,467	1,107,260	2,174,727
Thereafter	131,077	2,395,241	2,526,318
Total lease payments	6,250,638	8,487,930	14,738,568
Less imputed interest	(1,316,098)	(2,047,246)	(3,363,344)
Total	$ 4,934,540	$ 6,440,684	$ 11,375,224

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 three months ended March 31, 2020

	Healthcare Services	Medical Office Building	General and Administrative	Total
Salaries and wages	$ 30,874,583	$ -	$ 4,587,057	$ 35,461,640
Employee benefits	6,537,804	-	971,326	7,509,130
Supplies and other	22,752,143	223,425	6,208,744	29,184,312
Depreciation	2,356,236	95,009	317,010	2,768,255
Interest and amoritization	574,060	-	77,601	651,661
Total	$ 63,094,827	$ 318,434	$ 12,161,737	$ 75,574,998

Functional expenses for the three months ended March 31, 2019

	Healthcare Services	Medical Office Building	General and Administrative	Total
Salaries and wages	$ 30,098,342	$ -	$ 4,471,730	$ 34,570,072
Employee benefits	6,318,270	-	938,709	7,256,979
Supplies and other	22,286,775	208,093	6,078,844	28,573,712
Depreciation	2,400,272	99,020	323,224	2,822,516
Interest and amoritization	589,038	-	79,625	668,663
Total	$ 61,692,697	$ 307,113	$ 11,892,132	$ 73,891,942

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 three months ended March 31, 2020 and 2019 are as follows:

	2020	2019
Charity care	$ 7,112,806	$ 7,558,981
Delivery System Reform Incentive Payment (DSRIP)	2,153,180	1,212,917
Mental health	452,878	452,878
Total	$ 9,718,864	$ 9,224,776

The Medical Center is amortizing the DSRIP incentive payments over the program's respective fiscal years, which end on June 30. For the three months ended March 31, 2020 and 2019, $2,153,180 and $1,212,917 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 $33,241,767 and $36,370,755 for the three months ended March 31, 2020 and 2019, 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 March 31, 2020 and 2019, project costs of $501,748 and $386,376, respectively, are reflected in property and equipment, net and in deferred grant revenue on the consolidated balance sheet.

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 demolishment 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
MARCH 31, 2020 AND 2019
INPATIENT STATISTICS

	2020 ACTUAL TOTAL	2019 ACTUAL TOTAL
ADMISSIONS		
MEDICAL	1,189	1,557
SURGICAL	267	392
OBSTETRICS	305	336
NEWBORN	292	309
ADULT & ED PSYCH	377	374
ADOLESCENT PSYCH	96	141
DEVELOP DISABLED	63	66
	2,589	3,175
SAME DAY SURGERY	855	967
	3,444	4,142
INTERMEDIATE PSYCH	40	48
RESIDENTIAL UNIT	3	2
LONG TERM CARE	48	53
	91	103
PATIENT DAYS		
MEDICAL	7,031	8,581
SURGICAL	2,895	3,133
OBSTETRICS	824	901
NEWBORN	805	914
ADULT & ED PSYCH	3,924	3,726
ADOLESCENT PSYCH	1,107	1,144
DEVELOP DISABLED	795	783
	17,381	19,182
SAME DAY SURGERY	855	967
	18,236	20,149
INTERMEDIATE PSYCH	1,477	1,759
RESIDENTIAL UNIT	1,365	1,350
LONG TERM CARE	10,649	10,430
	13,491	13,539
ALOS		
MEDICAL	5.9	5.5
SURGICAL	10.8	8.0
OBSTETRICS	2.7	2.7
NEWBORN	2.8	3.0
ADULT & ED PSYCH	10.4	10.0
ADOLESCENT PSYCH	11.5	8.1
DEVELOP DISABLED	12.6	11.9
TOTAL W/O SDS	6.7	6.0
INTERMEDIATE PSYCH	36.9	36.6
RESIDENTIAL UNIT	455.0	675.0
LONG TERM CARE	221.9	196.8
	148.3	131.4
CARDIAC CATH LAB I/P		
CARDIAC CATHS	59	99
EMERGENCY ANGIO	7	8
ELECTIVE ANGIO	23	23
OTHER	37	42
TOTAL	126	172

TRINITAS REGIONAL MEDICAL CENTER
MARCH 31, 2020 AND 2019
OUTPATIENT STATISTICS

	2020 ACTUAL YTD	2019 ACTUAL YTD
EMERGENCY ROOM		
NEWPOINT-PSYCH O/P VISITS	370	486
WILLIAMSON O/P VISITS	13,051	13,295
TOTAL O/P	13,421	13,781
NEWPOINT ADMISSIONS	377	378
WILLIAMSON ADMISSIONS	1,315	1,733
TOTAL ADMISSIONS	1,692	2,111
% Total ADMISSIONS FROM ER	65.35%	66.49%
TOTAL EMERGENCY ROOM VISITS	15,113	15,892
OBSERVATION		
WSC OBSERVATON CASES	934	769
NPC OBSERVATON CASES	23	24
TOTAL OBSERVATION	957	793
CLINICS		
ADULT OP SERVICES	15,874	19,344
PC (PARTIAL HOSP) SERVICES	1,542	1,850
CHILD/ADOL OP SERVICES	7,453	8,105
YIP (AFTER SCHOOL)	1,397	1,870
IOP SERVICES	520	644
OTHER CHILD/ADOL SERVICES	14,654	16,987
BAYONNE MH CLINIC	5,606	6,519
TOTAL PSYCH CLINICS	47,046	55,319
D.B.HERSH CLINIC	1,803	2,001
PEDIATRIC HEALTH CENTER	1,492	1,045
WOMENS HEALTH CENTER	4,344	4,568
WOUND HEALING CENTER	998	940
MEDICAL CLINIC (EID)	321	385
TOTAL MEDICAL CLINICS	8,958	8,939
TOTAL CLINICS	56,004	64,258
CANCER CENTER		
OFFICE VISITS	1,702	1,714
INFUSION TREATMENTS	1,573	1,606
RADIATION TREATMENTS	918	1,213
CANCER CENTER TOTAL	4,193	4,533
PRIVATE AMBULATORY		
SLEEP CENTER	316	359
OTHER PRIVATE REFFERRED (1)	11,684	13,186
TOTAL PRIVATE AMBULATORY	12,000	13,545
O/P RENAL TREATMENTS		
O/P HEMODIALYSIS	5,199	5,084
HOME DIALYSIS	589	365
CRANFORD RENAL	592	0
LINDEN SATELLITE	3,146	3,173
TOTAL RENAL TREATMENTS	9,526	8,622
AMBULANCE RUNS	1,266	1,526
SCTU RUNS	62	60
MICU RUNS	753	893
SDS (FROM IP SCHEDULE)	855	967
TOTAL O/P VISITS (INCLUDING SDS)	99,037	108,978
PAID PHYSICIAN ENCOUNTERS	40,633	
CARDIAC CATH LAB O/P		
CARDIAC CATHS	110	95
ELECTIVE ANGIOPLASTY	31	24
OTHER	43	45
TOTAL	184	164

Trinitas Regional Medical Center Obligated Group

Debt Service Calculation Certificate
(Twelve Month Rolling Average)
(Unaudited)

		March 2020
Funds Available for Debt Service		
Net increase in unrestricted net assets	$	(374,766)
Reconciling items:		
Depreciation		10,730,935
Interest and amortization		2,621,356
Net assets released from restrictions used for purchase of property and equipment		(1,975,043)
Change in net unrealized gains and losses on investments		5,159,153
Total	$	16,161,635
Maximum annual debt service	$	9,617,217
Actual ratio		1.68
Required ratio		1.25

Trinitas Regional Medical Center Obligated Group

Cushion Ratio Calculation Certificate

(Twelve Month Rolling Average)

(Unaudited)

		March 2020
Cushion Ratio		
Cash and investments	$	154,889,087
Internally designated funds		111,056,417
Total	$	265,945,504
Maximum annual debt service		
Series 2016A and 2017A bonds payable	$	9,549,000
Loan payable		68,217
Total maximum annual debt service	$	9,617,217
Cushion ratio		27.65
Required ratio		1.25