Secondary Market Disclosure Information

December 31, 2021

RWJ BARNABAS HEALTH, INC.

Consolidated Financial Statements and Supplementary Information as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020

RWJBARNABAS HEALTH

Secondary Market Disclosure Information

December 31, 2021

Summary of Obligations under the

Master Trust Indenture and Other Credit Arrangements

Bond Obligations under the Master Trust Indenture

- Barnabas Health System Taxable Revenue Bonds, Series 2012
- Barnabas Health Issue, Series 2012A
- Barnabas Health Issue, Series 2014A
- Robert Wood Johnson University Hospital Issue, Series 2013A
- Robert Wood Johnson University Hospital Issue, Series 2014A
- RWJ Barnabas Health Taxable Revenue Bonds, Series 2016
- RWJ Barnabas Health Obligated Group Issue, Series 2016A
- RWJ Barnabas Health Obligated Group Issue, Series 2017A
- RWJ Barnabas Health Senior Secured Notes, Series A through D
- RWJ Barnabas Health Obligated Group Issue, Series 2019
- RWJ Barnabas Health Obligated Group Issue, Series 2019A
- RWJ Barnabas Health Obligated Group Issue, Series 2019B-1 through B-3
- RWJ Barnabas Health Obligated Group Issue, Series 2021A

Other Credit Arrangements

- Secured revolving credit facility with JP Morgan Chase Bank that includes a sublimit for letters of credit including the self-insured worker's compensation program. Secured under the Master Trust Indenture.
- Revolving line of credit agreement with JPMorgan Chase Bank, N.A. in the maximum available amount of $50 million (with an accordion feature for a potential increase in the line to $100 million in the aggregate); no funds have been drawn down under such credit agreement. Secured under the Master Trust Indenture.
- Construction loans (combined with grants) from the New Jersey Economic Development Authority under its HUD-funded Energy Resilience Bank program for building combined heating and power systems at each of Saint Barnabas Medical Center, Newark Beth Israel Medical Center and Somerset Medical Center and related funding from PSE&G. The aggregate maximum availability of the loans is approximately $19.1 million; approximately $4.9 million has been drawn down under the loans.

RWJBARNABAS HEALTH

Secondary Market Disclosure Information

December 31, 2021

System Overview

Facility	Location	Licensed Beds	
Acute Care Hospitals:			
Newark Beth Israel Medical Center	Newark	667	(1)
Community Medical Center	Toms River	617	(2)
Saint Barnabas Medical Center	Livingston	597	
Robert Wood Johnson University Hospital, New Brunswick Campus	New Brunswick	614	(3)
Robert Wood Johnson University Hospital, Somerset Campus	Somerville	333	
Monmouth Medical Center	Long Branch	514	(4)
Monmouth Medical Center, Southern Campus	Lakewood	241	(5)
Clara Maass Medical Center	Belleville	492	(2)
Jersey City Medical Center	Jersey City	348	
Robert Wood Johnson University Hospital Rahway	Rahway	241	
Robert Wood Johnson University Hospital at Hamilton	Hamilton	248	
Total Acute Care Beds		**4,912**	
Transitional Care Beds:			
Children's Specialized Hospital	New Brunswick	145	(6)
Community Medical Center Transitional Care Unit	Toms River	25	(2)
The Clara Maass Transitional Care Unit	Belleville	20	(2)
Total Transitional Care Beds		**190**	
Specialty Hospitals:			
The Children's Hospital of NJ at Newark Beth Israel Medical Center	Newark	156	(1)
Barnabas Health Behavioral Health Center	Toms River	100	(5)
The Bristol-Myers Squibb Children's Hospital at Robert Wood Johnson University Hospital	New Brunswick	79	(3)
The Unterberg Children's Hospital at Monmouth Medical Center	Long Branch	70	(4)
Total Specialty Hospital Beds		**405**	

(1) Newark Beth Israel Medical Center is licensed for 667 beds, 156 of which are licensed for Children's Hospital of New Jersey at Newark Beth Israel Medical Center. For presentation purposes, these 156 beds are included in the licensed bed complement for both Newark Beth Israel Medical Center and it's designated Children's Hospital.

(2) For presentation purposes, the 45 Transitional Care beds located at the general acute care hospitals are included in the licensed bed complements for both Clara Maass Medical Center and Community Medical Center.

(3) Robert Wood Johnson University Hospital is licensed for 614 beds, 79 of which are licensed for The Bristol-Myers Squibb Children's Hospital. For presentation purposes, these 79 beds are included in the licensed bed complement for both Robert Wood Johnson University Hospital and its designated Children's Hospital. Robert Wood Johnson University Hospital has been granted temporary approval from the Department of Health to operate an additional 26 neonatal bassinets not included in the count.

(4) Monmouth Medical Center is licensed for 514 beds, 70 of which are licensed for The Unterberg Children's Hospital at Monmouth Medical Center. For presentation purposes, these 70 beds are included in the licensed bed complement for both Monmouth Medical Center and its designated Children's Hospital.

(5) Monmouth Medical Center, Southern Campus is licensed for 241 beds, 60 of which are psychiatric beds located at Barnabas Health Behavioral Health Center. For presentation purposes, these 60 beds are included in the licensed bed complements of both Monmouth Medical Center, Southern Campus and Barnabas Health Behavioral Health Center.

(6) These licensed beds represent pediatric long term care and rehabilitation beds. Children's Specialized Hospital operates at multiple locations in New Jersey, including the long term care beds in Mountainside and Toms River, New Jersey.

RWJBarnabas Health's Vision, Mission and Values

At the core of RWJ Barnabas Health's (the Corporation or RWJBH) mission is the evolution of the enterprise from one of a "health care" company to that of an organization dedicated to "health." As part of a comprehensive strategic planning process, Vision, Mission and Values statements were created to drive the enterprise forward. These statements were developed using the strong foundation already in place and with an understanding that future success on behalf of our communities can be achieved only through bold vision and a renewed spirit of collaboration, all with a foundation in academic medicine. Moreover, the values were developed as part of a multi-year initiative to advance RWJBH as a "high reliability organization," committed to providing only the safest, most effective clinical care.

Our Organization

RWJBH is the largest, most comprehensive academic health care system in New Jersey, with a service area that spans eight of the most populous counties covering over five million people. The Corporation is also New Jersey's market share leader across every major service line and the leading provider of tertiary care services. The system includes eleven acute care hospitals, three acute care children's hospitals and a leading pediatric rehabilitation hospital with a network of outpatient centers, a freestanding 100-bed behavioral health center, two trauma centers, a satellite emergency department, ambulatory care centers, geriatric centers, the state's largest behavioral health network, comprehensive home care and hospice programs, fitness and wellness and physical therapy centers, retail pharmacy services, a medical group, multi-site imaging centers and an accountable care organization. In meeting its mission of creating healthier communities, the Corporation seeks to provide high quality clinical care, address the clinical and social determinants of health, improve health outcomes and promote health equity.

The Corporation has formed a partnership with Rutgers University to create New Jersey's largest academic health care system. The collaboration has aligned the Corporation with Rutgers' education, research and clinical activities, including those at the Rutgers Cancer Institute of New Jersey (CINJ) - the state's only NCI-designated Comprehensive Cancer Center - and Rutgers University Behavioral Health Care.

COVID-19

In March 2020, the World Health Organization declared COVID-19, a respiratory disease caused by a novel strain coronavirus, a pandemic. The pandemic was declared a national emergency in the United States. The outbreak of COVID-19 continues to impact businesses, industrial sectors, and financial markets both in the United States and globally. Conditions are improving due to lower infection rates and the availability of vaccines to all eligible individuals and, although volumes have largely rebounded to near pre-COVID-19 levels, the Corporation expects to continue to experience some effect on operations as a result of the pandemic. Since the pandemic began, the Corporation has cared for over 369,000 patients, of which over 28,000 have been admitted to our hospitals with a COVID-19 diagnosis.

The Corporation's response to the COVID-19 pandemic continues to require additional staff and supply resources. Supply chain disruptions, including shortages, delays and significant increases in the price of medical supplies, pharmaceuticals and personal protective equipment, have impacted, and are expected to continue to impact, the Corporation's operating costs. Staffing shortages resulting from staff COVID-19 absences and industry wide shortages in certain clinical specialties and other factors have resulted in increased labor costs and investments in employee retention programs. These events are expected to continue in the near future.

The Corporation has received grants from the Coronavirus Aid, Relief and Economic Security (CARES) Act Provider Relief Fund based on various criteria. Under current guidelines issued by the US Department of Health and Human Services (HHS), these funds can be used to cover certain COVID-19 related costs and revenue losses. In 2021, the Corporation received $47,000 (bringing total funds received through December 31, 2021 to $683,000). During the year ended December 31, 2021, $65,110 was recognized as revenue bringing the total amount recognized to approximately $635,767. The Corporation believes the amount of revenue recognized is appropriate under the current guidance from HHS and continues to monitor compliance as clarifying guidance as it is issued.

The Corporation has continued to provide programs and services to assist the State of New Jersey and the communities it serves in battling the pandemic at substantial costs. Some of these programs are eligible for support from the Federal Emergency Management Agency (FEMA) and other funding that is, or will become, available. During 2021, FEMA awarded $93,817 of reimbursement for a portion of the costs incurred during the pandemic, which is included in Other revenue. Management continues to evaluate programs and services for alignment with funding opportunities.

In addition to the CARES Act funding and FEMA, the Corporation has received Medicare advance payments of approximately $556,000. Medicare started recouping these advances in April 2021 with final recoupments expected by August 2022. As of December 31, 2021, approximately $207,000 has been recouped, leaving $349,000 included in current estimated amounts due to third party payors.

The Corporation has also elected to defer the deposit and payment of the employer's share of Social Security taxes allowed under the CARES Act, which requires payment of 50% of the deferred taxes by December 31, 2021 and 50% by December 31, 2022. The Corporation had accumulated approximately $88,000 of deferred employer payroll taxes, of which $46,000 was repaid in 2021.

Despite the continuing challenges and factors pressuring operating margins impacted by the ongoing crisis, management is focused on the restoration of operating results to pre-COVID-19 levels through various initiatives, including those focused on access and additional revenue opportunities. Access strategies include providing new and enhanced facilities, building a more diversified business model, physician recruitment efforts, and continued expansion of services in response to community needs. In addition, there is continued focus on expense reductions through operational efficiency efforts and supply chain initiatives. The Corporation continues to evaluate and invest in strategic capital projects and technology to facilitate recovery and maintain a competitive advantage regarding patient and provider satisfaction and retention. Management continues to monitor strategic capital needs in relation to operations and capital market conditions affecting investment returns, as well as fundraising and debt capacity. The Corporation is committed to investment in its people. Our continuing leadership role as the pandemic evolves comes from the support of our employees and physicians. Even though volume and operating revenues were negatively impacted during the pandemic, the Corporation did not reduce pay or benefits. This included continued pay for employees personally quarantined due to COVID-19 infection.

Vaccinations

With the rumored creation of a vaccine in late 2020, the leadership team previously charged with overseeing care delivery for COVID-19, focused their attention on the distribution of vaccines to providers and the public. The main areas to be addressed included administration of the vaccine, as well as the probability of rationing a limited supply. In December 2020, New Jersey requested that the Corporation be the lead health system for the creation and operation of one of six vaccination "mega-sites" in New Jersey. A full-service vaccination center, designed to accommodate up to 5,000 patients per day, was planned and executed by the Corporation in partnership with FEMA, State of New Jersey Office of Emergency Management, State Police and National Guard, as well as the County of Middlesex. The center operated from mid-January to mid-June 2021. At the end of 2021, the Corporation opened a second "mega-site" in Bridgewater.

To date, the Corporation has provided more than 520,000 vaccinations across the State, including those delivered at the "mega-sites", at hospital-based clinics and community locations staffed and supported by the Corporation. Beyond ensuring vaccination among the public, the Corporation conducted an aggressive internal campaign to vaccinate all staff and physicians, and on May 20, 2021, the Corporation became only the third health system in the nation to mandate vaccinations for employees. As of October 15, 2021, the Corporation successfully completed its mandatory COVID-19 vaccine program achieving a 99.7% compliance rate.

On November 5, 2021, the Centers for Medicare and Medicaid Services issued a ruling which requires virtually all staff of Medicare and Medicaid-certified providers and suppliers to be vaccinated against COVID-19. In addition, on January 19, 2022, the New Jersey Governor signed an executive order mandating all New Jersey health care workers to be fully vaccinated against COVID-19 and receive booster shots by February 28, 2022. The order also covers all workers in congregant settings such as nursing homes and prisons. New Jersey joins five other states, including New York and Connecticut that have issued a COVID-19 booster mandate for healthcare workers. In accordance with the state mandate, the Corporation is requiring all employees, new employees, medical staff, vendors, contractors and volunteers to receive booster vaccines, if eligible, by February 28, 2022. Non-compliance with the mandate will result in separation from the organization.

The Emergency Departments have provided more than 17,000 treatments with monoclonal antibodies, designed to lessen the impact of COVID-19 in patients who present with early-stage disease. The Corporation is among the leaders, nationally, with the delivery of such care.

Partnership with Rutgers, the State University of New Jersey - Realizing our Academic Vision

The 2018 Partnership between the Corporation and Rutgers formed the largest and most comprehensive academic health system in New Jersey and created a platform to advance clinical care, conduct innovative research, and educate the next generation of healthcare providers. The Corporation and Rutgers have attracted, and will continue to attract, clinicians, researchers, teachers, and students from across the globe that will help fill unmet needs across the Corporation's service area as the partnership continues to grow and develop. In total, more than one billion dollars over 20 years will be invested to expand the education and research mission of the integrated academic health system.

A key element of the transformative efforts of the Partnership was to form a comprehensive medical group comprising employed physicians and other health care professionals from the Corporation and Rutgers

Health. Through the execution of an Integrated Practice Agreement (IPA) effective July 1, 2020, Rutgers and the Corporation have begun to integrate the clinical services provided within the Robert Wood Johnson Medical School in the New Brunswick region and the Corporation's medical group practices, creating one of the largest physician organizations in the country.

The Corporation will bring the resources of the State's largest academic health system to improve the lives of its population by:

- Advancing and deploying health science innovation;
- Increasing accessibility to primary and specialty physicians and clinicians across the region;
- Developing and expanding Centers of Excellence across a number of clinical specialties;
- Dedicating significant, collective resources to education, research, and health improvement;
- Retaining leading clinical and academic faculty to build and expand clinical and research capabilities across New Jersey;
- Focusing on the recruitment of new high-caliber principal investigators across the service area - dramatically increasing its research portfolio;
- Providing financial support earmarked to encourage residents & fellows to remain in and provide care to residents of New Jersey;
- Increasing opportunities to train its medical, dental, nursing, pharmacy, and other students in inter-professional clinical environments; and
- Expanding access to clinical trials, bringing the newest and most promising treatments to patients across New Jersey.

Leader in Translational Science

In March 2019, a multi-university team led by Rutgers was awarded a National Institute of Health (NIH) grant for $29,000 over five years for joining the NIH's Clinical and Translational Science Awards Program (CTSA). The ultimate goal of the grant is to expedite and expand the delivery of evidence-based treatment to our patients. The award is the first in New Jersey and will increase access to clinical trials, help introduce new therapies, and create opportunities for increased funding. CTSA awards support a national network of more than 50 medical research institutions nationwide that collaborate to speed the translation of research discoveries into improved patient care. It enables research teams, including scientists, patient advocacy organizations and community members, to tackle system-wide scientific and operational problems in clinical and translational research that no one team can overcome. The ultimate goal with this grant is to bring more evidence-based treatment to more patients more quickly. That means shortening the time between basic science breakthroughs and life-saving clinical treatments. The Corporation funded some of the recruitments that were pivotal to making this award occur, which in the end will help the Corporation and Rutgers to enhance and strengthen its commitment to the health and wellbeing of New Jersey and the world.

Redefining Cancer Care Delivery

Effective July 1, 2021, the Corporation and Rutgers executed a second IPA to integrate the clinical practices of the Rutgers CINJ and the Corporation's medical group. This IPA further enhances the unified clinical mission that complements our high quality standards of teaching and research excellence.

In June 2019, the Corporation and Rutgers CINJ, in partnership with the New Brunswick Development Corporation, announced the development of a new, state-of-the-art, free-standing cancer hospital in New

Brunswick, the first in New Jersey. A groundbreaking ceremony was held in June 2021 for the new $750 million facility, which will house:

- a 12-story, 96 bed, 510,000-square-foot facility expected to be completed in 2024;
- key outpatient services, including those for chemotherapy, radiation therapy, and major diagnostic modalities; and
- research laboratories, and space for education and wellness programs.

The cancer center will be located adjacent to RWJ University Hospital New Brunswick (RWJUH) and Rutgers CINJ. Inpatient cancer services are currently housed within RWJUH.

A New National Model for Graduate Medical Education

Rutgers is now the official sponsoring institution of all residency programs enabling a new model of medical education with the integration of community, urban, suburban and VA rotations. Several programs have already been integrated creating the opportunity to expand advanced fellowships and integrate the programs educating over 1,600 medical residents. We have focused our efforts leveraging the robust network of Rutgers schools and are advancing our efforts to grow inter-professional practice team training opportunities across the Corporation and other clinical affiliates.

In addition, Community Medical Center's teaching program was successfully launched on July 1, 2021. We have also launched the "Rising Stars" program, which seeks to keep top medical school graduates in New Jersey through tuition abatement and post graduate placement programs.

Awards and Distinctions

In anticipation of the Series 2021A bond offering, the rating agencies reviewed the financial condition of the Corporation. On September 10, 2021, S&P confirmed its AA- long-term rating with a stable outlook. Moody's upgraded the Corporations rating to Aa3 from A1 with an outlook of stable. Moody's stated that "the upgrade and assignment of the Aa3 rating reflects RWJBH's strong and statewide coverage as the largest integrated academic health system and only NCI-designated cancer center in New Jersey, and will continue to differentiate the system in a very competitive market."

The Corporation and its affiliates are recognized as a leading academic health care delivery system, having received the following recognitions, among others:

- **Special Recognition for Heroism –**RWJBH's Patient Experience Team was awarded Special Recognition for Heroism during the Pandemic by The Leapfrog Group, an independent national watchdog organization of employers and other purchasers focused on healthcare safety and quality.

- **Leapfrog Safety Scores** – The Fall 2021 scores recognize four acute care facilities as receiving an "A" grade, while five received a "B" grade. Monmouth Medical Center is the only facility in the region to achieve 14 consecutive "A" ratings.

- **Leapfrog Top Hospitals** – Monmouth Medical Center was recognized by The Leapfrog Group as a 2021 top teaching hospital.

- **Forbes Best-In-State** – In 2021, for the second consecutive year, the Corporation has been recognized by Forbes as America's Best-In-State Employer. This prestigious award is presented by Forbes and Statista Inc., the world-leading statistics portal and industry ranking provider.

- **Top Places to Work in Healthcare** – The Corporation has been named one of the top 150 places to work in healthcare by Becker's Hospital Review, including recognition for Women's Health Programs. In April 2021, RWJBH was named a Best Place to Work in New Jersey by the NJ Advance Media/Star Ledger – the state's largest news outlet.

- **LGBTQ Healthcare Equality** – In 2020, 8 hospitals received HEI designation as Leaders in LGBTQ Healthcare Equality by the Human Rights Campaign, the education arm of the nation's largest LGBTQ civil rights organization.

- **Garden State Equality** – In 2021, the Corporation was honored by Garden State Equality, the largest LGBTQ advocacy organization in New Jersey, with the Corporate Responsibility Award, based on the system's commitment to providing culturally sensitive, compassionate and inclusive care for the LGBTQ community through ongoing initiatives.

- **Global Healthcare Exchange (GHX) Organization** – RWJBH was named a 2020 GHX "Best 50" organization. Earning this recognition demonstrates our organization's commitment to a supply chain strategy that removes waste, drives efficiencies and, as a result, raises the quality of patient care delivered.

- **Chime Healthcare's Most Wired** – The Corporation continues to be named among the most wired for its use of information technology (IT) to better the patient experience, and in 2021, all acute care facilities within the organization were awarded certification Performance Excellence Levels of eight and above. Hospitals and health systems at the forefront of using IT to improve the delivery of care have maximized the benefits of foundational technologies and are embracing new technologies that support population management and value-based care.

- **America's Best Ambulatory Surgery Centers 2022** –RWJUH's Ambulatory Surgical Pavilion has been named to Newsweek's list of America's Best Ambulatory Surgery Centers. This prestigious award is presented by Newsweek and Statista Inc., the world-leading statistics portal and industry ranking provider, based on quality of care, performance data and peer recommendations, relative to in-state competition.

- **World's Best Specialized Hospitals 2022** – In 2021, Children's Specialized Hospital was recognized on Newsweek's list of World's Best Specialized Hospitals 2022. Presented by Newsweek and Statista Inc., the world-leading statistics portal and industry-ranking provider, this prestigious award is given to hospitals considered as leading providers in any given medical subspecialty. This is the first year that pediatric hospitals were specifically recognized in Newsweek's annual medical specialty survey.

- **NCI-designated Comprehensive Cancer Center** – CINJ is the state's only NCI-designated Comprehensive Cancer Center. CINJ is universally recognized for its clinical and scientific research leadership. NCI-designated cancer centers are a group of 50 cancer research institutions in the United States supported by the National Cancer Institute.

- **CEO Cancer Gold Standard employer** – The Corporation has been accredited as a CEO Cancer Gold Standard employer. This prestigious award recognizes the Corporation for its dedication and commitment to maintaining a high standard of excellence in cancer prevention, early detection and quality care for its employees and their families.

- **Commission on Cancer Accredited Program** – Several of our facilities' cancer programs have received accreditation from the American College of Surgeons' Commission on Cancer, with RWJUH New Brunswick and Newark Beth Israel rated among the nation's best comprehensive cancer centers.

- **National Quality Measures for Breast Centers (NQBMC)** – The Jacqueline M. Wilentz Breast Center was certified as a quality breast center of excellence, the highest certification level offered by the NQMBC. Additionally, the Center has been designated a Breast Imaging Center of Excellence by the American College of Radiology's Commission on Quality and Safety and the Commission on Breast Imaging.

- **100 Great Hospitals in America –** In 2020, RWJUH New Brunswick was named to this list, developed by Becker's Healthcare, which recognizes facilities for excellence in clinical care, patient outcomes, and staff and physician satisfaction.

- **U.S. News & World Report** – The Bristol-Myers Squibb Children's Hospital (BMSCH) at RWJUH was named for the sixth time as one of the nation's best children's hospitals in 2019-2020 – recognized for Urology. Other national, regional and New Jersey recognition was received widely by the Corporation's hospitals in a great range of specialties in 2021-2022.

- **Gold Seal of Approval –** Various affiliates of the Corporation have received the Gold Seal of Approval by the Joint Commission for various programs including joint replacement, disease-specific certifications in acute coronary syndrome, cardiac rehabilitation, heart failure, advanced certification in palliative care, bariatric surgery and stroke program.

- **Magnet Designation by the American Nurses Credentialing Center** – Six affiliates of the Corporation have received Magnet designation, which recognizes organizations for creating and sustaining an environment of nursing excellence where collaborative working relationships are fostered among different departments and disciplines. RWJ University Hospital Hamilton, received its first Magnet designation in April 2021, and in June, Robert Wood Johnson University Hospital in New Brunswick achieved its sixth Magnet designation – making it one of only 7 institutions globally to achieve this distinction.

- **NICHE** – Several of our facilities have been recognized as a NICHE (Nurses Improving Care for Health system Elders) hospital.

- **Protecting the Patient - Voice of the Customer Award** – Nuance Healthcare has recognized certain affiliates for a reduction of hospital-acquired conditions by 73% and being Joint Commission Top Performers for national quality measures.

- **Newsweek Magazine** – Named NBIMC one of the World's Best Hospitals and named NBIMC, MMC and RWJBH New Brunswick Best Maternity Care Hospitals. In addition, Children's Specialized Hospital has been recognized on Newsweek's list of World's Best Specialized Hospitals for 2022 and RWJUH New Brunswick also received Newsweek America's Best award for Ambulatory Surgery Centers (ranked in NJ) in 2022.

- **American Heart Association** – Several of our facilities have received recognition for Heart Failure and/or Stroke services by the American Heart Association.

- **NCQA Recognition –** RWJBH's Medical Group has solidified its commitment to provide the highest quality health care and access to our patients through the achievement of National Committee for Quality Assurance (NCQA) Patient-Centered Medical Home Recognition for several of our practices. The NCQA Patient-Centered Medical Home standards emphasize the use of systematic, patient-centered, coordinated care that supports access, communication and patient involvement.

- **Guardian of Excellence** – MMC was named a 2020 Guardian of Excellence Award® winner by Press Ganey. The Guardian of Excellence Award recognizes top-performing health care organizations that have achieved the 95th percentile or above for performance in Patient Experience.

- **Emergency Medical Services (EMS) Triple Accreditation** – JCMC's EMS service is the first in the U.S. to earn triple accreditation in dispatch, education and emergency medical service.

- **Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program (MBSAQIP) Accreditation** – Six RWJBH facilities are accredited as comprehensive centers for bariatric and metabolic surgery of the American College of Surgeons.

- **Det Norske Veritas (DNV) Accreditation** – JCMC received DNV reaccreditation. As a world-leading certification body with objectives to safeguard life, property and the environment, DNV is committed to supporting the development and continual improvement of healthcare quality and patient safety in healthcare organizations.

- **New Jersey Department of Health** – The NJ Department of Health awarded four of RWJBH facilities Gold for their Antimicrobial Stewardship Programs.

Launch of EPIC Implementation

In order to accomplish the goals of its strategic plan, the Corporation recognized the need to strengthen its core competencies in Technology, Analytics, and Innovation by establishing a unified operating model that will drive standardization, continuous quality improvement and cost reductions across the entire system. Leadership determined that a key component of this is to deploy an integrated Electronic Health Record (EHR) with supporting revenue cycle, data analytics and consumer-facing digital capabilities. After a thorough review of the market place, the Epic suite of products was chosen to achieve these goals. The implementation will be done in phases, and the anticipated completion date is 2024, with a cost of approximately $750 million over ten years.

The launch of this sweeping initiative, which has been named "Epic Together," formally commenced on January 29, 2020 with simultaneous kick-off events held throughout RWJBH and across key Rutgers campuses. In order to build the Epic system, 3,330 subject matter experts, nurses, physicians, pharmacists, medical school staff at Rutgers University and a myriad of other stakeholders throughout the Corporation were identified and assembled into 62 discipline specific workgroups and councils.

Despite the unexpected impact of the pandemic, the Corporation advanced with the first go-live of the Epic system on May 29, 2021 – comprised of the Robert Wood Johnson Physician Enterprise. Due to exemplary planning and commitment by the team, the implementation was successful as indicated by the achievement of various targets including patient volume, revenues and other metrics exceeding targeted levels.

The Epic Together team has migrated its focus to continue stabilization of the Epic system after the successful Wave 2 activation on October 2, 2021, which included the remainder of the medical group and RWJUH Somerset, the first acute care hospital to go live. The project is now turning to the next activation which is Wave 3 on June 4, 2022. This wave comprises the Cancer Institute of New Jersey, RWJUH, RWJUH Hamilton, and RWJUH Rahway. In preparation for Wave 3, which is the projects largest, the team is completing multiple rounds of testing, coordinating more than 14,000 co-workers for training and the planning of the command centers for the eventual go-live date.

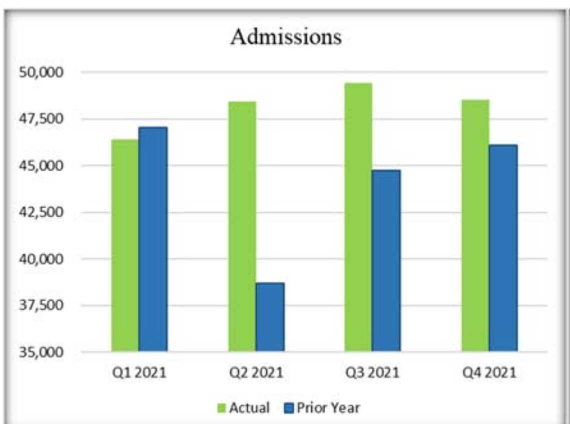
Management's Discussion and Analysis of Recent Financial Performance

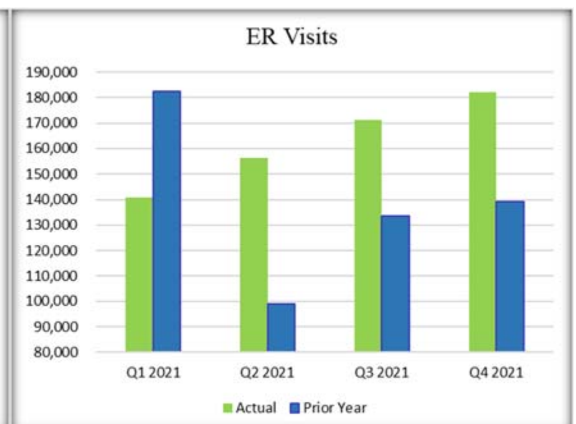
Management's Discussion and Analysis of Recent Financial Performance is based upon the consolidated financial results of the Corporation since the members of the Corporation's Obligated Group represent 89% of the total consolidated operating revenue and 94% of the total consolidated assets as of and for the years ended December 31, 2021. Accordingly, the discussion below includes the financial results of entities that are not members of the Obligated Group.

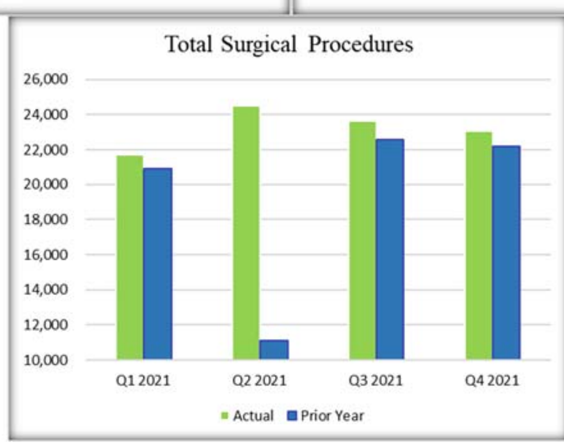
Financial Performance Overview

For the year ended December 31, 2021, the Corporation's total operating income and operating margin were $72,118 and 1.1%, respectively, compared to the operating income and operating margin of $106,484 and 1.8% for the year ended December 31, 2020. Total operating revenues grew by $725,947 or 12.3% compared to the year ended December 31, 2020, while operating expenses increased by $760,313 or 13.1% during the same period. Included in total operating revenues is funding under the CARES Act totaling $65,110 and $570,657 for the years ended December 31, 2021 and 2020, respectively.

The following tables portray select acute care volumes as compared to 2020, by quarter. Volumes are gradually improving. Admissions, ER visits (including admissions) and surgical procedures for the year ended December 31, 2021 have increased by 9.1%, 17.6% and 21.0%, respectively, as compared to prior year.







Overall, patient service revenue of $6,077,860 was higher than prior year by $1,041,186 or 20.7%. COVID-19 significantly impacted patient service revenue during 2020, and to a lesser extent continued to impact volumes and revenues in 2021. The increase over prior year is primarily due to the volume increases as COVID-19 restrictions have lessened since the early part of 2020. The Corporation recognized CARES Act funding to offset the volume shortfall due to COVID-19 of $65,110 and $570,657 for the years ended December 31, 2021 and 2020. For additional information, refer to the *Operating Revenue and Volume* discussion.

The increase in operating expenses was driven by increased salaries and benefits, physician fees and salaries, supplies, other expenses, and depreciation, many of which continue to be impacted by the pandemic. For additional information, refer to the *Operating Expenses* discussion.

The Corporation's excess of revenues over expenses and excess of revenues over expenses margin for the year ended December 31, 2021 were $396,415 and 5.7%, respectively, compared to the excess of $906,971 and 13.5% for the year ended December 31, 2020. The excess of revenues over expenses was significantly less than prior year mainly due to investment performance. Net investment gains totaled $325,999, compared to $798,807 in 2020. For additional information, refer to the *Nonoperating Gains and Losses* discussion.

Management continues to focus on i) patient experience, safety and quality improvements, ii) market share growth, iii) population health management, iv) medical research and education, and v) diversifying revenue streams within the Corporation's business model. Maintaining the balance sheet and improving operating results also remain top management priorities so that the Corporation can continue to invest in people, programs and facilities to successfully adapt and respond to changes in the health care industry while continuing to meet the needs of patients and families in all the communities it serves.

Operations and Excess of Revenue over Expenses

The following table summarizes key operating performance results and overall performance ratios:

	Years ended December 31,	
	2021	**2020**
Operating income	72,118	106,484
Operating margin	1.1%	1.8%
EBITDA	444,125	465,157
EBITDA margin	6.7%	7.9%
Excess of revenue	396,415	906,971
Excess of revenue margin	5.7%	13.5%

Operating Revenue and Volume

The following table presents consolidated operating revenue and select volume statistics for the years ended December 31, 2021 and 2020:

	Years ended December 31,	
	2021	2020
Operating Revenue:		
Inpatient patient service revenue	3,363,411	2,918,920
Outpatient patient service revenue	2,131,136	1,765,726
Professional billing revenue	485,919	291,452
State of NJ subsidy revenue	97,395	60,576
Total patient service revenue	6,077,860	5,036,674
CARES Act grant revenue	65,110	570,657
Other operating revenue	483,552	293,244
Total operating revenue	6,626,522	5,900,575
Volume & utilization statistics:		
Acute care licensed beds	4,912	4,942
Average acute care beds in service	3,922	3,908
Acute care occupancy based on beds in service	72.7%	68.0%
Acute care length of stay	5.54	5.72
Acute care admissions	192,717	176,565
COVID-19 positive admissions	13,315	14,902
Adult and pediatric admissions	129,017	114,795
Newborn and NICU admissions	25,104	24,736
Maternity and obstetric cases	25,624	25,304
Patient days	1,041,350	973,074
Same day surgery cases	62,304	49,091
Emergency room visits (excl. admits)	535,213	449,834
Observations	83,468	70,626
Psychiatric hospital inpatient admissions	957	1,026

Acute Care payor mix, based on patient days, for the years ended December 31, 2021 and 2020 is presented below:

Payor Mix	Patient Days 2021	Patient Days 2020
Medicare	27.5%	29.0%
Medicaid	5.4%	6.3%
Managed Medicare	19.2%	17.1%
Managed Medicaid	19.1%	17.7%
Managed Care	11.0%	11.3%
NJ Blue Cross & Commercial	12.0%	11.8%
Self-pay and Other	5.8%	6.8%
	100.0%	100.0%

Inpatient service revenue of $3,363,411 was higher than prior year by $444,491. The Corporation experienced an increase in inpatient revenue of 15.2%, in part, due to volume increases of 9.1%. During the first half of 2020, various policies were implemented by federal, state and local governments in response to the COVID-19 pandemic. These responses included nonessential medical service restrictions, travel bans, social distancing and shelter-in-place orders. The hospitals are currently operating near pre-COVID-19 levels. Increased surgical volume attributed to more than half of the revenue increase. Pulmonary and Medicine service lines also contributed to the increase, as well as various other inpatient services lines.

The New Jersey Medicaid County Option Pilot Program (the Pilot Program) is a five-year New Jersey Medicaid demonstration project designed to support local hospitals and to ensure that they continue to provide necessary services to low-income residents. Eligibility in the program was established by State legislation that was signed into law in 2018 and is limited to a maximum of seven counties; 4 in which the Corporation operates – Essex, Hudson, Mercer and Middlesex. Under Program guidelines, which received final federal CMS approval on July 16, 2021 for a program effective start date of July 1, 2021, participating counties will impose and collect a tax on the hospitals that will be transferred to the State and used to draw down additional federal Medicaid matching funds to enhance hospital payments for Medicaid managed care discharges. Through December 31, 2021, the amount of the tax recorded was $40,617 and the enhanced Medicaid payment was $103,764 for a net impact of $63,147. The assessments and enhanced payments are expected to be paid and received on a quarterly basis.

Outpatient service revenue of $2,131,136 was higher than prior year by $365,411 or 20.7%. The increase was primarily due to a 26% increase in outpatient volumes. As noted above, non-emergent outpatient services were severely limited last year due to the pandemic. With the resumption of services, same day surgery cases increased by 26.9% over prior year. Additionally, rate changes had a positive impact on revenue specifically in the Cardiac Cath, Observation, Emergency Room and Oncology service lines.

Professional billing revenue of $485,919 was higher than prior year by $194,467 or 66.7%. Physician group performance was significantly impacted by the global pandemic. In response to the pandemic, the medical groups began utilizing telemedicine options, which contributed to the increase in patient revenue per physician. Additional practice acquisitions also contributed to increases in revenue. Volumes have been steadily improving since COVID-19 restrictions were lifted in late May 2020.

State of NJ subsidy revenue of $97,395 increased from prior year by $36,819 or 60.8%. The increase was primarily due to the receipt of $25,498 under the Quality Improvement Bridge Program, which was designed to support the stability of acute care hospitals after the Delivery System Reform Incentive Payment program ended in June 2020.

The Corporation recognized CARES Act grant revenue of $65,110 and $570,657 for the years ended December 31, 2021 and 2020 to help offset the volume shortfalls attributable to COVID-19. Other operating revenue of $483,552 was favorable to prior year by $190,308 or 64.9%. Other revenue includes income from grants, pharmacy sales, earnings from joint venture arrangements, contributions, net assets released from restriction, cafeteria, parking and FEMA awards. The increase was primarily due to growth in ambulatory surgery, diagnostic imaging, and medical practice joint ventures as well as $93,817 in FEMA reimbursement for COVID-19 related costs.

Certain joint ventures are reported using the equity method of accounting and are not fully consolidated in the Corporation's financial statements. Additional financial information for these joint ventures is included in the table below:

	For the year ended December 31,					
	2021			2020		
	Net Operating Revenue	Net Income	Net Income Attributable to RWJBH	Net Operating Revenue	Net Income	Net Income Attributable to RWJBH
Ambulatory Surgery	$ 285,525	140,585	39,130	$ 192,064	81,933	22,604
Home Care & Hospice	178,986	19,632	9,981	178,722	24,128	12,270
Diagnostic Imaging	126,051	26,481	13,469	101,559	17,696	8,953
Medical Practice Joint Ventures	123,910	36,318	18,402	30,409	13,293	7,037
Other	140,313	8,384	3,414	51,137	2,105	104
	$ 854,785	231,400	84,396	$ 553,891	139,155	50,967

The increase in revenue from ambulatory surgery ventures was attributable to an increase in the volume of billable procedures by 6.3% which included the addition of five new surgical centers in 2021. Additionally, these ventures received $4,112 and $2,458 in Stimulus funds for the years ended December 31, 2021 and 2020, respectively. The Corporation invested $20,291 to continue to expand its ambulatory care division during 2021.

The decrease in home care and hospice ventures was due to a 3.1% increase in expenses, primarily salaries and medical supplies, as compared to prior year as well as Stimulus funding received in 2021 of $448 as compared to $3,685 in 2020.

Diagnostic imaging ventures exceeded prior year due an increase in volume of 25.8% which was partially offset by an increase in expenses by 14.3%. Volume of CT scans, MRI procedures and PET scans increased by 20.7%, 17.3 % and 10.7 % as compared to prior year. The expense variance was driven by salaries and medical supplies.

New and established Medical Practice Joint Ventures contributed $11,365 to net income. The Corporation began expanding this division in April 2020 with the majority of the investments being made towards the end of 2020. During 2021, the Corporation invested an additional $100,979 to expand its medical practice partnerships.

Other ventures exceeded prior year by $3,310. The Corporation invested over $53,000 to acquire a comprehensive outpatient physical and occupational therapy company on February 1, 2021. This venture contributed a gain of $438. Additionally, inpatient rehabilitation and the fitness and wellness centers exceeded prior year.

During 2021, the Corporation continued to advance its healthcare transformation efforts. These efforts focused on developing capabilities and payment models necessary for success as the industry continues to move towards value-based care. In addition, Braven Health, which began in 2020 as a Medicare Advantage product in partnership with Horizon and Hackensack Meridian Health, continues to grow and has more than 24,000 members currently participating.

Operating Expenses

Total operating expenses for the year ended December 31, 2021 of $6,554,404 increased by $760,313 or 13.1% from the year ended December 31, 2020.

Summarized below are the consolidated operating expenses for the years ended December 31, 2021 and 2020:

	Years ended December 31,	
	2021	2020
Salaries and employee benefits	2,974,727	2,679,576
Physician fees and salaries	739,870	600,371
Supplies and other expenses	2,467,800	2,155,471
Interest	100,983	101,203
Depreciation and amortization	271,024	257,470
Total operating expenses	6,554,404	5,794,091

For the year ended December 31, 2021, salaries and employee benefits increased by $295,151 or 11.0%, compared to the year ended December 31, 2020. The increase in salaries and employee benefits was due to annual salary increases, the addition of staff for new medical practices, and overtime to meet the needs of the Pandemic. Additionally, the usage of Crisis RN agency staff significantly increased as compared to prior year to meet the demand of the pandemic. Agency fees for the years ended December 31, 2021 and 2020 were $158,080 and $66,024, respectively. This increased staffing began in March of 2020.

Physician fees and salaries increased by $139,499 or 23.2%, compared to the year ended December 31, 2020. The increase was primarily driven by our ER/Hospitalist group, who became employees of RWJBH in November 2020. The addition of new medical practices during 2021 has also contributed to the increase.

Supplies and other expenses increased by $312,329 or 14.5%, compared to the year ended December 31, 2020. The increase was primarily due to higher supply costs, contractual and purchased services and other expenses. Supply costs increased by $133,628 or 12.3%. In mid-March 2020, the system suspended all elective surgeries and transplant programs allowing for only emergency surgeries. Services resumed at the end of May 2020. Adjusted admissions and adjusted patient days were up 12.7% and 10.9%, respectively from prior year. Inpatient and same day surgical volumes have increased by 21.0% from prior year. Drug costs have risen due to increased usage related to the treatment of COVID-19 patients. Contractual and purchased services also contributed $97,124 or 19.2% to the increase largely driven by legal and consulting costs associated with merger and acquisition activity and the Epic implementation. The addition of management service agreements associated with new medical practices also contributed to the increase. The Pilot Program's assessment fees contributed $40,617 to the variance.

Interest expense for the year ended December 31, 2021 marginally decreased by $220 or 0.2%, compared to the year ended December 31, 2020 which was the net result of the defeasance and the addition of new debt (see Financial Condition for additional information).

Depreciation and amortization for the year ended December 31, 2021 increased by $13,554 or 5.3%, compared to the year ended December 31, 2020. The increase was driven by investments in strategic capital projects, which were completed in the latter part of 2020, and other investments in capital projects in 2021. Significant completed capital projects included the acquisition of the cancer center building at RWJUH Somerset, the multi-year construction project at Jersey City Medical Center that includes new post-partum beds, renovations to medical, surgical and emergency department areas, the completion of the Saint Barnabas Medical Center Emergency department expansion, renovation for Newark Beth Israel Medical surgical unit and parking garages, and Epic which went live for certain affiliates of the Corporation.

Nonoperating Gains and Losses

The following table presents a summary of nonoperating revenue and expenses of the Corporation for the years ended December 31, 2021 and 2020.

	Years ended December 31,	
	2021	**2020**
Investment income	78,505	79,054
Realized gains on investments	279,307	157,599
Unrealized (losses) gains on investments	(31,813)	562,154
Net periodic benefit cost	(2,424)	(2,828)
Interest rate swap valuation changes	1,636	4,508
Gain on early extinguishment of debt	702	-
Other	(1,616)	-
Total nonoperating revenue, net	324,297	800,487

Net investment income and realized gains, net totaled $357,812 and $236,653 for the years ended December 31, 2021 and 2020, respectively. Net unrealized losses for the year ended December 31, 2021 were $31,813, while net unrealized gains were $562,154 for the year ended December 31, 2020.

The Corporation entered into a third interest rate swap agreement in June 2021 in order to hedge future interest rate exposure on fixed rated bonds. The total notional amount of all swap agreements is $279,000. For the years ended December 31, 2021 and 2020, the aggregate change in the net fair value of the interest rate swap agreements was $1,636 and $4,508, respectively. Swap agreements expose the Corporation to credit risk in the event of noncompliance by the counterparties. To help mitigate that risk, the swaps were structured with three different counterparties. The Corporation believes the risk of any material impact to the consolidated financial statements is low.

Fundraising

The Foundations support the programs and services of their affiliated tax-exempt organization and support the capital campaign and other fundraising activities of the Corporation.

The following table presents contributions received by the foundations as well as capital and operating support the foundations provided to the hospitals. Conditional gifts are not included until the conditions have been met.

	Years ended December 31,	
	2021	2020
Contributions without donor restrictions	16,823	4,361
Contributions with donor restrictions	116,931	30,125
Total contributions	133,754	34,486
Support to affiliates	52,578	55,365

In September, the System foundation recognized a $100,000 gift that was received from the Cooperman Family Foundation for the benefit of Saint Barnabas Medical Center. It is the largest charitable gift ever given to a hospital in New Jersey and, in recognition of their gift, Saint Barnabas Medical Center has been renamed Cooperman Barnabas Medical Center. This gift will allow the medical center to continue its ongoing transformation into a world-class healthcare institution that provides the highest quality and most advanced care available anywhere in the New York metropolitan region. The Foundation received $10,000 towards this pledge in October.

In November, Monmouth Healthcare Foundation received a $10,000 pledge from Sheldon Vogel for the RWJBarnabas Health Family Care and Wellness Center in Eatontown. This was in addition to the $50 million pledge received in 2019.

Unrestricted Cash and Investments

The Corporation's financial position remains strong with $11.6 billion in total assets and $5.4 billion in net assets. Total cash and investments (without donor restrictions) amounted to over $5.4 billion (or 313.8 days) at December 31, 2021, a increase of $247,121 over the balance at December 31, 2020, excluding the Medicare Advance. The Corporation continues to invest in capital with approximately $612,000 in additions during 2022. The Corporation also made debt service payments of approximately $186,000 which includes principal and interest. On August 19, 2021, the Corporation legally defeased all of the outstanding Barnabas Health Issue, Series 2012A bonds, with the exception of the bonds maturing on July 1, 2022. The principal amount of the defeased bonds was $81,250. The Corporation paid interest on the bonds through June 2022 totaling $3,225. The transaction resulted in a gain on extinguishment of debt of $702 which is recorded in other, net within nonoperating revenue. The Corporation also invested $180,343 to expand its ambulatory services joint ventures.

On September 30, 2021, the Corporation completed an offering of tax-exempt bonds in the aggregate par amount of $751,845. Total proceeds from the offering, including premium, was $865,000. The bond proceeds will be used to fund the construction of the Rutgers Cancer Institute of New Jersey as well as various other capital projects. As of December 31, 2021, $343,893 of the bond proceeds was reimbursed from the construction fund.

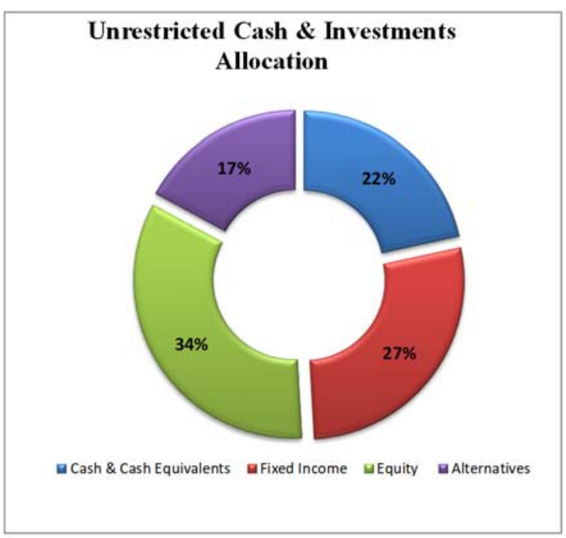
Total unrestricted cash and investments (excluding the Medicare Advance) for the Corporation as of December 31, 2021 and 2020 were as follows:

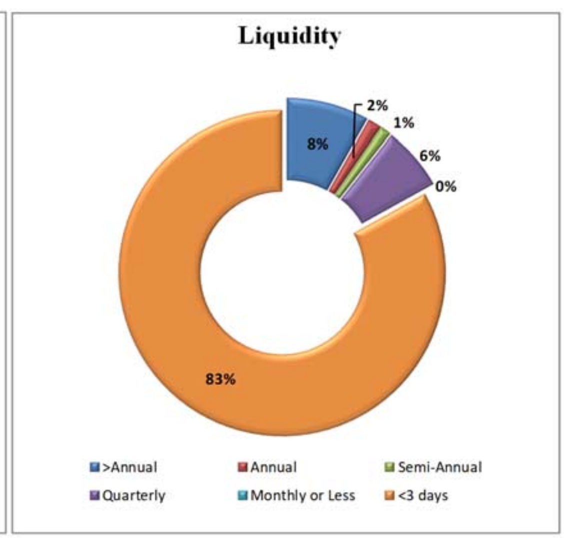
	December 31, 2021	December 31, 2020
Cash and cash equivalents	154,095	100,380
Current investments	405,914	366,074
Noncurrent investments	4,842,072	4,688,506
Total unrestricted cash and investments	5,402,081	5,154,960

There are two distinct investment portfolios within the Unrestricted Cash and Investment Portfolio, the Capital Reserve Fund (CRF) and Long-Term Portfolio (LTP). Management of these portfolios continues to provide flexibility to support the System's strategic capital plans particularly during times of operating uncertainty and market volatility. The CRF was established at the end of 2019 in anticipation of the Corporation's significant capital investment plans, and is critical to balance near term funding requirements along with long term strategic growth opportunities. It is sized at the beginning of each year to maintain liquidity for the next 12 months of projected extraordinary expenditures in excess of anticipated operating cash flows. The CRF permits the Corporation to assume more risk in the LTP allowing for a higher return potential. The LTP maximizes risk-adjusted returns subject to risk constraints with prudent strategic investing. Over the past 24 months, the Corporation maintained an average of $650,000 in the CRF and unrestricted investments generated approximately $1.1 billion in total return.

In accordance with the Corporation's Investment Policy Statement, at least 75% of the asset value of the unrestricted portfolio must be classified as "monthly" liquidity. As of December 31, 2021, 83% of the total unrestricted cash and investments were classified as monthly liquidity or less.

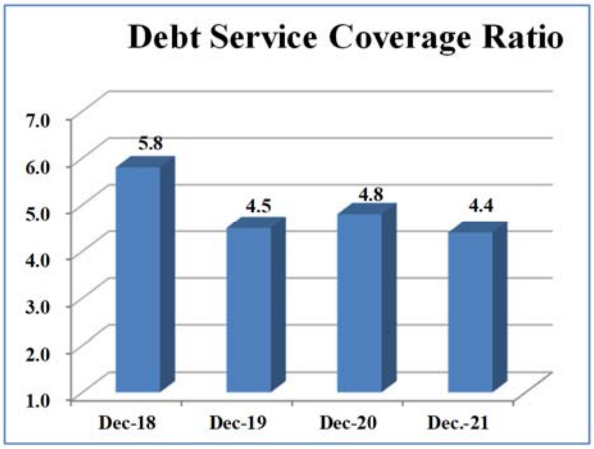
The following charts present the allocation of unrestricted cash and investments by asset type and the portfolio's liquidity as of December 31, 2021.

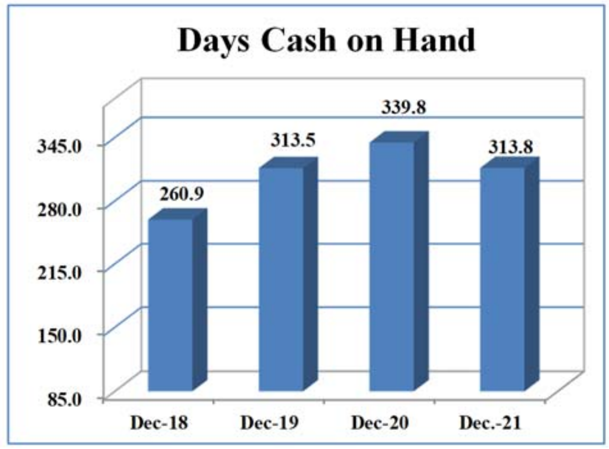




Financial Condition

The following charts present the debt service coverage ratio and total days cash on hand for the selected dates below.





Days cash on hand and the cash-to-debt ratio have been adjusted to exclude the Medicare Advance received under the CARES Act.

On March 31, 2020, the Corporation entered into a secured revolving promissory note (the Note) for the maximum principal amount of $100,000 with JP Morgan Chase Bank (JPM) for routine working capital needs. The Note expired on March 31, 2021 and was replaced with a $50,000 secured revolving promissory note (New Note) with JPM expiring on March 31, 2022. This New Note contains an accordion feature that allows the Corporation to increase the loan by an additional $50,000. There are no borrowings outstanding.

The following table presents key financial indicators as of December 31, 2021, 2020 and 2019 as compared to S&P's "AA", "AA-" and "A+" medians.

	December 31, 2021	December 31, 2020	December 31, 2019	AA	AA-	A+
Debt service coverage	4.4	4.8	4.5	5.8	4.6	3.9
Debt-to-capitalization	39.8%	35.6%	41.1%	22.2%	26.9%	31.7%
Cash-to-debt	160.5%	197.8%	171.3%	300.7%	237.3%	172.9%
Days cash on hand	313.8	339.8	313.5	344.9	286.7	208.1

The following table presents other select ratios as of December 31, 2021, 2020 and 2019.

	December 31, 2021	December 31, 2020	December 31, 2019
Days in patient accounts receivable	40.7	42.8	37.7
Days in accounts payable	65.0	58.6	56.9
Reinvestment ratio	2.26	1.82	1.54

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets

(In thousands)

Assets	December 31, 2021 (unaudited)	December 31, 2020 (audited)
Current assets:		
Cash and cash equivalents	$ 154,095	100,380
Short-term Investments	754,914	578,074
Assets limited or restricted as to use	90,605	142,603
Patient accounts receivable	678,282	589,224
Estimated amounts due from third party payors	105,675	31,022
Other current assets	374,802	238,624
Total current assets	2,158,373	1,679,927
Assets limited or restricted as to use, non-current portion	819,128	273,902
Investments	4,842,072	5,032,506
Property, plant and equipment, net	2,910,166	2,563,409
Right-of-use asset	258,089	269,663
Other assets, net	656,473	457,500
Total assets	11,644,301	10,276,907
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	492,231	388,370
Accrued expenses and other current liabilities	1,115,728	949,233
Estimated amounts due to third party payors	374,078	207,932
Long-term debt	38,468	9,224
Lease obligation	37,942	42,237
Self-insurance liabilities	99,926	82,931
Total current liabilities	2,158,373	1,679,927
Estimated amounts due to third party payors, net of current portion	62,124	400,550
Self insurance liabilities, net of current portion	314,639	265,940
Long-term debt, net of current portion	3,327,935	2,592,403
Lease obligation, net of current portion	234,433	237,046
Accrued pension liability	32,470	31,465
Other liabilities	149,929	210,148
Total liabilities	6,279,903	5,417,479
Net assets:		
Without donor restrictions	5,094,736	4,677,376
With donor restrictions	269,662	182,052
Total net assets	5,364,398	4,859,428
Total liabilities and net assets	$ 11,644,301	10,276,907

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Operations

Years ended December 31, 2021 and 2020

(In thousands)

	2021 (unaudited)	2020 (audited)
Revenue:		
Patient service revenue	6,077,860	5,036,674
CARES Act grant revenue	65,110	570,657
Other revenue, net	483,552	293,244
Total revenue	6,626,522	5,900,575
Expenses:		
Salaries and wages	2,468,816	2,232,692
Physician fees and salaries	739,870	600,371
Employee benefits	505,911	446,884
Supplies	1,220,247	1,086,619
Other	1,247,553	1,068,852
Interest	100,983	101,203
Depreciation and amortization	271,024	257,470
Total expenses	6,554,404	5,794,091
Income from operations	72,118	106,484
Nonoperating revenue (expenses):		
Investment income, net	325,999	798,807
Other, net	(1,702)	1,680
Total nonoperating revenue, net	324,297	800,487
Excess of revenue over expenses	396,415	906,971
Other changes:		
Pension changes other than net periodic benefit cost	(2,981)	(11,282)
Net assets released from restriction for purchases of property and equipment	19,494	18,107
Other, net	4,432	3,792
Increase in net assets without donor restrictions	$ 417,360	$ 917,588

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2021 and 2020

(In thousands)

(unaudited)

	Without donor restrictions	With donor restrictions	Total net assets
Net assets at December 31, 2019	$ 3,759,788	173,036	3,932,824
Changes in net assets:			
Excess of revenues over expenses	906,971	-	906,971
Pension related changes other than net periodic benefit cost	(11,282)	-	(11,282)
Change in interest in restricted net assets of unconsolidated foundations	-	(1,817)	(1,817)
Net assets released from restriction	18,107	(19,790)	(1,683)
Restricted contributions	-	30,321	30,321
Investment income on restricted investments, net	-	491	491
Other	3,792	(189)	3,603
Changes in net assets	917,588	9,016	926,604
Net assets at December 31, 2020	4,677,376	182,052	4,859,428
Changes in net assets:			
Excess of revenues over expenses	396,415	-	396,415
Pension changes other than net periodic benefit cost	(2,981)	-	(2,981)
Change in interest in restricted net assets of unconsolidated foundations	-	(1,429)	(1,429)
Net assets released from restriction	19,494	(37,339)	(17,845)
Restricted contributions	-	127,042	127,042
Investment income on restricted investments, net	-	507	507
Other	4,432	(1,171)	3,261
Changes in net assets	417,360	87,610	504,970
Net assets at December 31, 2021	$ 5,094,736	269,662	5,364,398

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

(In thousands)

	2021 (unaudited)	2020 (audited)
Cash flows from operating activities:		
Change in net assets	$ 504,970	926,604
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension changes other than net periodic benefit cost	2,981	11,282
Depreciation and amortization expense	271,024	257,470
Amortization of bond financing costs, premiums and discounts	(8,570)	(7,639)
Net change in unrealized losses (gains) on investments	31,813	(561,802)
Realized gains on investments	(279,307)	(157,599)
Gain on interest rate swaps	(1,636)	(4,509)
Equity in income of joint venture	(84,396)	(50,967)
Distributions received from investments in joint ventures	63,419	43,154
Distributions to noncontrolling interests	358	-
Impairment of goodwill	-	9,314
(Gain) loss on sale of assets	(2,232)	677
Contributions restricted for long-term use	(16,756)	(14,544)
Gain on early extinguishment of debt, net	(702)	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(89,058)	(35,758)
Reduction in the carrying amount in the right-of-use assets	57,877	61,438
Other assets	(211,275)	(38,852)
Accounts payable, accrued expenses, and other current liabilities	253,879	199,989
Estimated amounts due from and to third-party payors	(246,933)	535,673
Accrued pension liability	(1,976)	(1,371)
Lease obligation, self-insurance and other long-term liabilities	(47,736)	(34,629)
Net cash provided by operating activities	195,744	1,137,931
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(612,465)	(469,290)
Purchases of investments	(6,076,355)	(7,639,324)
Proceeds from the sale of investments	6,425,008	6,870,462
Investment in joint venture	(180,343)	(137,732)
Cash paid for acquisitions, net of cash and restricted cash acquired	-	(1,020)
Proceeds from sale of assets	10,580	692
Net cash used in investing activities	(433,575)	(1,376,212)
Cash flows from financing activities:		
Proceeds from issuance of debt	870,301	-
Borrowings under letter of credit	-	20,000
Repayments of long-term debt	(90,466)	(10,943)
Repayments under letter of credit	-	(20,000)
Payments for deferred financing costs	(5,301)	-
Distributions to noncontrolling interest	(358)	-
Proceeds from contributions restricted for long-term use	16,756	14,544
Proceeds from contributions and grants	2,327	5,958
Net cash provided by financing activities	793,259	9,559
Net increase (decrease) in cash, cash equivalents, and restricted cash	555,428	(228,722)
Cash, cash equivalents, and restricted cash at beginning of year	121,565	350,287
Cash, cash equivalents, and restricted cash at end of period	$ 676,993	121,565
Cash and cash equivalents	$ 154,095	100,380
Restricted cash included in assets limited or restricted as to use	522,898	21,185
Total cash, cash equivalents, and restricted cash	$ 676,993	121,565
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 95,360	93,978
Finance lease obligations incurred	2,739	1,169
Supplemental disclosure of noncash investing and financing activity:		
Change in noncash acquisitions of property, plant and equipment	10,925	63,457

See accompanying notes to the consolidated financial statements.

(1) Organization

RWJ Barnabas Health, Inc. (the Corporation) is a not for profit, tax-exempt corporation located in West Orange, New Jersey. RWJ Barnabas Health, Inc. is the sole corporate member or sole shareholder of the Corporation's affiliated organizations and subsidiaries. The Corporation was organized to develop and operate a multihospital healthcare system providing a comprehensive spectrum of healthcare services, principally to the residents of New Jersey and surrounding areas.

The services and facilities of the Corporation include 11 acute care hospitals, 3 acute care children's hospitals, a pediatric rehabilitation hospital with a network of outpatient centers, a freestanding 100-bed behavioral health center, two trauma centers, a satellite emergency department, ambulatory care centers, geriatric centers, the state's largest behavioral health network, comprehensive home care and hospice programs, physical therapy centers, fitness and wellness centers, retail pharmacy services, medical groups, multi-site imaging centers, an accountable care organization, a burn treatment facility, comprehensive cancer services, breast centers and comprehensive cardiac surgery services, including a heart transplant center, a lung transplant center, and kidney transplant centers.

(2) Significant Accounting Policies

(a) Basis of Accounting of Financial Statement Presentation

The accompanying unaudited consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Footnotes and other disclosures that would substantially duplicate the disclosures contained in an audited financial statement have been omitted. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements of the Corporation. Eliminations and reporting adjustments have been made to present the information in accordance with GAAP. The data should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 and related notes. Information for the year ended December 31, 2021 is not based on audited information but, in the opinion of management, is presented on a basis consistent with the audited consolidated financial statements and includes adjustments necessary for a fair presentation therein. Adjustments to these financial statements may occur as a result of a more comprehensive review undertaken as part of the audit process for the year ended December 31, 2021.

The consolidated financial statements include all affiliates and other entities for which operating control is exercised by the Corporation. Investments in entities where the Corporation does not have operating control are recorded under the equity or cost method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other operating revenue. Intercompany balances and transactions have been eliminated.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements

(Continued)

and reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

(3) Revenue

(a) Patient Services Revenue

The Corporation's patient service revenue is recognized at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payors and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation 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 Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in Financial Accounting Standards Board Accounting Standards Codification (ASC) 606-10-50-14 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at year-end, which primarily relate to acute care patients (in-house). The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of a period end.

The majority of the Corporation's services are rendered to patients with third-party payor insurance coverage. Reimbursement under these programs for all payors is based on a combination of prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents and the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims. Agreements with third-party payors typically provide for payments at amounts less than established charges. Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or by law, from standard charges. The Corporation 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 price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Implicit price concessions are determined on historical

(Continued)

collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2021 or 2020. 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 expense. There was no bad debt expense for the years ended December 31, 2021 or 2020.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. The Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients. Patients who meet the Corporation's criteria for charity care are provided care without charge or at amounts less than established charges. The Corporation has determined that it has provided sufficient implicit price concessions for these accounts. Price concessions, including charity care, are not reported as revenue.

The Corporation has elected the financing component practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payors pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. The Corporation has determined that the nature, amount, and timing of patient service revenue and cash flows are affected by payors and service lines.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount. During the years ended December 31, 2021 and 2020 certain prior year third-party cost reports were audited and settled, or tentatively settled by third-party payors. Adjustments resulting from such audits, settlements, and management reviews are reflected as adjustments to patient service revenue in the period that adjustments become known. The effect of cost report settlements increased patient service revenue by $17,049 and $15,755, respectively, for the years ended December 31, 2021 and 2020. Although certain other prior year cost reports submitted to third-party payors remain subject to audit and retroactive adjustment, management does not expect any material adverse settlements.

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(b) Other Revenue

Other revenue includes income from grants, equity in the income of healthcare joint ventures, unrestricted contributions, net assets released from restriction, cafeteria sales, and parking receipts. Grant revenue and contributions of the Corporation are nonexchange transactions in which no commensurate value is exchanged. In such cases, contribution accounting is applied under ASC Topic 958, *Not-for-Profit Entities*. See note 4 for grant funding received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Equity in the income of joint ventures is evaluated under ASC Topic 323, *Investments – Equity Method and Joint Ventures*.

Additionally, pharmacy sales and other contracts related to healthcare services are included in other revenue and consist of contracts, which vary in duration and in performance. Revenue is recognized when the performance obligations identified within the individual contracts are satisfied and collections are probable.

(4) COVID-19 Pandemic and Government Funding

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Although the Corporation has activated plans to address the COVID-19 threat and is operating pursuant to infectious disease protocols and an emergency plan, the impact of a pandemic, epidemic, or outbreak of an infectious disease is a risk for all companies and is difficult to predict. The primary focus in all the activities of the Corporation remains the health and safety of the employees, patients, communities, and healthcare workers across its service areas. Although volumes have generally rebounded to near pre-COVID-19 levels, the Corporation's operations have been adversely affected as a result of COVID-19, and the challenge to keep pace and proactively manage the developing scenarios is a potential risk that the Corporation will continue to actively manage.

On March 27, 2020, the President signed into law the CARES Act, which provides economic assistance to a wide array of industries, including healthcare. The CARES Act provides financial relief under several programs including a funding advance of Medicare payments, deferral of the employer portion of payroll taxes and establishment of the Provider Relief Fund (PRF). Under the PRF, the Corporation has received approximately $47,000 in 2021 ($683,000 through December 31, 2021). These funds are considered a grant that is not subject to repayment, provided the Corporation maintains compliance with the related terms, conditions, and reporting requirements of the grant set forth by HHS. The compliance and reporting requirements, as issued and updated by HHS, may continue to evolve, which could impact the amounts recognized by the Corporation through this program. For the years ended December 31, 2021 and 2020, $65,110 and $570,657, respectively, of stimulus funding was recognized. The remaining deferred payments may be recognized as other operating revenue in future periods, subject to compliance with current rules and conditions and ongoing regulatory clarifications.

Management continues to closely monitor the operational and financial impact of COVID-19 in many respects and is pursuing opportunities for additional federal funding, including funding from the Federal Emergency Management Agency (FEMA) and other funding that is, or will become, available. During 2021, FEMA awarded reimbursement for a portion of the costs incurred during the pandemic of $93,817, which is included in other revenue.

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During the year ended December 31, 2020, the Corporation received approximately $556,000 in Medicare payment advances under the Medicare Accelerated and Advanced Payment Program. Recoupment of these advances started in April 2021 and amounted to approximately $207,000 as of December 31, 2021. Final recoupments are expected by August 2022. As of December 31, 2021 and 2020, approximately $349,000 and $212,000, respectively is recorded in deferred revenue in short-term estimated amounts due to third-party payors, with $344,000 recorded as long term as of December 31, 2020.

The Corporation elected to defer the deposit and payment of the employer's share of Social Security taxes incurred from March 27, 2020 through December 31, 2020 as allowed under the CARES Act. The program requires payment of 50% of the deferred taxes by December 31, 2021 and 50% by December 31, 2022. In 2020, the Corporation deferred approximately $88,000 of deferred employer payroll taxes, of which $46,000 was paid back during 2021. The Corporation accelerated certain payments into 2021. As of December 31, 2021 and 2020, $42,000 and $44,000 is included within accrued expenses and other current liabilities, respectively. At December 31, 2020, $44,000 is included in other liabilities.

(5) Fair Value Measurements

ASC 820, *Fair Value Measurement* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents and debt and equity securities that are traded in an active exchange market.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities and corporate bonds.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. The Corporation currently holds no Level 3 investments.

(Continued)

The following tables present the Corporation's fair value hierarchy for those assets measured at fair value on a recurring basis, and exclude pledges receivable, net, other investments, and accrued interest receivable, as of December 31, 2021 and December 31, 2020:

	December 31, 2021				
	Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Investment categories:					
Cash and cash equivalents and money market funds	$ 933,698	933,698	—	—	—
Equity securities	540,805	540,805	—	—	—
Equity mutual funds	1,457,273	1,457,273	—	—	—
Fixed income mutual funds	402,015	402,015	—	—	—
Certificates of deposit	5,914	—	5,914	—	—
Unit investment trust	1,269	1,269	—	—	—
Commercial mortgage-backed securities	153,818	—	153,818	—	—
Corporate bonds	1,196,208	—	1,196,208	—	—
Asset-backed securities	377,889	—	377,889	—	—
Government bonds	176,093	—	176,093	—	—
Government mortgage-backed securities	121,631	—	121,631	—	—
Municipal bonds	43,153	—	43,153	—	—
Alternative investments	963,230	—	—	—	963,230
Total	$ 6,372,995	3,335,060	2,074,705	—	963,230

(Continued)

	December 31, 2020				
	Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Investment categories:					
Cash and cash equivalents and money market funds	$ 697,663	697,663	—	—	—
Equity securities	408,568	408,568	—	—	—
Equity mutual funds	1,510,039	1,510,039	—	—	—
Fixed income mutual funds	372,531	372,531	—	—	—
Certificates of deposit	5,853	—	5,853	—	—
Unit investment trust	1,061	1,061	—	—	—
Commercial mortgage-backed securities	135,484	—	135,484	—	—
Corporate bonds	1,179,987	—	1,179,987	—	—
Asset-backed securities	417,747	—	417,747	—	—
Government bonds	175,878	—	175,878	—	—
Government mortgage-backed securities	214,319	—	214,319	—	—
Municipal bonds	62,817	—	62,817	—	—
Alternative investments	800,096	—	—	—	800,096
Total	$ 5,982,043	2,989,862	2,192,085	—	800,096

(Continued)

(6) Long-term debt

Long-term debt consists of the following:

		December 31, 2021	December 31, 2020
Revenue and refunding bonds	$	2,836,218	2,170,284
Senior secured notes		300,000	300,000
Finance lease obligations		32,166	33,982
Total long-term debt		3,168,384	2,504,266
Plus unamortized bond premium		218,751	114,557
Less:			
Unamortized bond discount		1,161	1,376
Deferred financing costs, net		19,572	15,820
Current portion		38,468	9,224
Long-term portion	$	3,327,935	2,592,403

Under the terms of the Master Trust Indenture (MTI), Barnabas Health, Inc., Children's Specialized Hospital (CSH), Clara Maass Medical Center, Community Medical Center, Jersey City Medical Center, Monmouth Medical Center (including Monmouth Medical Center, Southern Campus), Newark Beth Israel Medical Center, RWJ Barnabas Health, Inc., Robert Wood Johnson University Hospital (RWJUH), Robert Wood Johnson University Hospital at Hamilton, Robert Wood Johnson University Hospital Rahway, and Saint Barnabas Medical Center (SBMC) are members of an Obligated Group. Substantially all of the Corporation's debt is subject to the provisions of the MTI.

To secure its payment obligations, the Obligated Group has granted to the Trustee a first lien and security interest in the gross revenue of each member of the Obligated Group.

Obligated Group members are jointly and severally liable under the MTI. The Corporation does have the right to name designated affiliates. Though designated affiliates are not obligated to make debt service payments on the obligations under the MTI, the Corporation may cause each designated affiliate to transfer such amounts as necessary to enable the Obligated Group members to comply with the terms of the MTI, including payment of the outstanding obligations.

On August 19, 2021, The Corporation legally defeased all of the outstanding New Jersey Health Care Facilities Financing Authority Revenue and Refunding Bonds, Barnabas Health Issue, Series 2012A that mature on and after July 1, 2023. The principal amount of the defeased bonds was $81,250. U.S. Bank National Association is the bond trustee and escrow agent. The defeased bonds will be called for optional redemption on July 1, 2022 at a redemption price equal to 100% of the principal amount plus accrued interest. The principal amount of the remaining Series 2012A Bonds that was not defeased is $9,000 and will be called for redemption on July 1, 2022 with accrued interest due on January 1, 2022 and July 1,

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2022. The transaction resulted in a gain on extinguishment of debt of $702 which is recorded in other, net within nonoperating revenue.

On September 30, 2021, the Obligated Group issued New Jersey Health Care Facilities Financing Authority, RWJ Barnabas Health Revenue Bonds, Series 2021A in the amount of $751,845 as obligations under the MTI. These bonds mature on July 1, 2051 and consist of principal of $351,355 and $400,490 in Serial and Term Bonds, respectively. Series 2021A was issued at a premium of $118,456 for a total source of funds of $870,301. Principal payments are due annually on July 1 and interest payments are due semi-annually until maturity. The bond proceeds will be used to fund the construction of the Rutgers Cancer Institute of New Jersey as well as various other capital projects. As of December 31, 2021, $343,893 of the bond proceeds was reimbursed from the construction fund.

The Corporation's Obligated Group is required to maintain certain financial covenants in connection with the New Jersey Health Care Facilities Financing Authority (NJHCFFA) and credit arrangements with a consortium of banks, including JPMorgan Chase Bank, N.A. (JPMorgan) and TD Bank.

On March 25, 2020, April 7, 2020, and June 30, 2021 the Corporation entered into forward interest rate swap agreements with JPMorgan, Bank of America, and U.S. Bank, respectively. Under the terms of these agreements, the Corporation is paying fixed interest rates ranging from 0.90275% to 1.3625% in exchange for variable rate payments equal to 70% of the effective Federal funds rate. The notional amounts on these swap agreements are tied to the outstanding principal on the underlying bond series. The Corporation has the option to terminate the interest rate swap agreements on or before July 1, 2034. As of December 31, 2021 and 2020, the fair market value of the interest rate swap agreements, net of a credit value adjustment of $1,103 and $739, was $6,145 and $4,509, respectively. The amounts are included in Other assets, net.

On March 31, 2020, the Corporation entered into a secured revolving promissory note (the Note) for the maximum principal amount of $100,000 with JPM for routine working capital needs. The terms of the Note include a commitment fee of .12% and a LIBOR spread at .55%. The Note expired on March 31, 2021 and was replaced with a $50,000 secured revolving promissory note (New Note) with JPM expiring on March 31, 2022. This New Note contains an accordion feature that allows the Corporation to increase the loan by an additional $50,000. The terms of the New Note include a commitment fee of .12% and a LIBOR spread at .55% on the first $50,000. As of February 14, 2022 there were no borrowings under the New Note.

(7) Employee Benefit Plans

The Corporation maintains several benefit plans for its employees. The following are brief descriptions of those plans and related expenses for the years ended December 31, 2021 and 2020:

- The Corporation provides pension benefits to its employees through defined contribution plans. Contributions to these plans are based on percentages of annual salaries. It is the policy of the Corporation to fund accrued costs under these plans on a current basis. Pension expense related to these defined contribution plans was approximately $84,392 and $83,041 for the years ended December 31, 2021 and 2020, respectively.

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- Certain affiliates of the Corporation contribute to various multiemployer defined-benefit pension plans under the terms of collective bargaining agreements that cover union-represented employees. Contributions to these plans approximated $4,708 and $4,596 for the years ended December 31, 2021 and 2020, respectively.

- Certain employees of the Corporation participate in deferred compensation plans. Eligible employees may defer compensation under a salary reduction agreement, subject to certain dollar limitations. Payments, upon retirement or termination of employment, are based on amounts credited to individual accounts. In connection with these plans, certain affiliates deposit amounts with trustees on behalf of participating employees. Under the terms of these plans, the Corporation is not responsible for investment gains or losses incurred. The assets are restricted for payments under the plans. The plans are funded based upon the benefit formula as outlined in the plan documents.

The RWJ Barnabas Health Retirement Income Plan (the RWJBH Plan) covers substantially all employees of the Corporation. The RWJBH Plan is currently frozen and no participants accrue credited service or contribute to the RWJBH Plan.

The assets of the RWJBH Plan are managed under a liability-driven investment (LDI) strategy. Under the LDI strategy, the expected rate of return on plan assets is based upon the assumption that plan assets will be invested primarily in fixed income and other related securities based upon their ability to perform similarly to the characteristics of the plan liabilities over time. The policy of the Corporation is to evaluate the annual funding liability on a calendar year basis. Based on this evaluation, $4,400 and $4,200 in contributions were made to the RWJBH Plan during the years ended December 31, 2021 and 2020.

(8) Partnership with Rutgers, the State University of New Jersey

The Corporation, Rutgers, the State University of New Jersey (Rutgers) and Rutgers Health Group (RHG) are participants in a Master Affiliation Agreement (MAA) to partner and create the state’s largest academic health care system with the goal of integrating medical education, advanced research, and healthcare delivery to produce world-class clinical services and outcomes.

The Corporation, Rutgers, and RHG are separate and distinct legal entities. The MAA requires reciprocal commitments and the alignment of each party’s respective strategic, operational and financial interests, and activities as part of a coordinated and mutually supportive academic health system. A Joint Committee was established for strategic planning and oversight featuring equal representation from the Corporation and Rutgers.

As part of the MAA, the Corporation has invested $100,000. In connection with this investment, the Corporation capitalized $45,000 for the acquisition of the Rutgers Health brand name. In addition, more than one billion dollars over 20 years will be invested to expand the education and research mission of the integrated academic health system.

A component of the MAA was to form a comprehensive medical group comprising employed physicians and other health care professionals from the Corporation and Rutgers. Through the execution of two

(Continued)

Integrated Practice Agreement (IPA's) with Rutgers Robert Wood Johnson Medical School (RWJMS), effective July 1, 2020 and Rutgers Cancer Institute of New Jersey (CINJ) effective July 1, 2021, the Corporation has taken steps towards integrating the clinical services provided within the New Brunswick region and the Corporation's medical group practices.

Under the IPA's, all current Rutgers employees in the clinical practices will remain Rutgers employees. The Corporation has assumed responsibility for the patient experience and administration of the RWJMS and CINJ clinical enterprise. In connection with the RWJMS IPA, the Corporation will receive funding from Rutgers towards the losses, which declines over an eight-year period ending June 30, 2028. For the years ended December 31, 2021 and 2020, the funding which began July 1, 2020, was $34,500 and $17,250, respectively.

During the years ended December 31, 2021 and 2020, the Corporation made payments to Rutgers in the amounts of $97,809 and $43,834, respectively, related to the above agreements. As of December 31, 2021 and December 31, 2020, the Corporation owed Rutgers, net of funding, $71,340 and $55,308, respectively.

The Corporation will also fund the construction of a new clinical and research building for the Rutgers Cancer Institute of New Jersey, the states only National Cancer Institute designated comprehensive cancer center. The new building will be adjacent to, and integrated with, the Corporation's medical center in New Brunswick. The estimated cost will be approximately $750,000 which will be funded through the Series 2021A bonds, refer to note 6.

(9) Potential Affiliations

The Corporation and Saint Peter's Healthcare System (SPHCS) entered into a Definitive Agreement on September 10, 2020 to integrate the two healthcare systems. Under the terms of the Definitive Agreement, SPHCS, headquartered in New Brunswick, New Jersey, with its flagship hospital, Saint Peter's University Hospital, a 478-bed acute care teaching hospital and acute care children's hospital, will remain as a full-service provider of acute healthcare services, and would continue its mission and identity as a Catholic hospital in adherence with the standards of care stated in the Ethical and Religious Directives for Catholic Health Care Services. The Corporation has committed to making significant strategic capital investments in facilities, technology and innovation to enhance and expand clinical services provided at SPHCS.

Approvals will be necessary from state and federal officials, and others, before the transaction is considered complete. It is not currently possible to determine if, or when, the transaction will be completed.

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(10) Commitments

The Corporation entered into an agreement with EPIC to deploy an integrated Electronic Health Record (EHR) with supporting revenue cycle, data analytics, and consumer-facing digital capabilities. When completed, this integration will, among other things, establish one EHR across all ambulatory sites to support the ability to manage physicians as one integrated practice and support the consolidation of the various revenue cycle systems to an integrated solution.

The implementation will be done in phases. The first and second go-lives were completed in May 2021 and October 2021, respectively. The anticipated completion date of the entire project is 2024, with a cost of approximately $750,000 over 10 years and will include capitalized costs as well as those that will be expensed as incurred.

(11) Subsequent Events

The Corporation, Trinitas Regional Medical Center (Trinitas) and Trinitas Health (TH) closed on their affiliation transaction, effective January 1, 2022, whereby the Corporation has replaced TH as the sole member of Trinitas. TH merged with, and into Trinitas, with Trinitas as the surviving merger entity. Trinitas is a 554-bed, Catholic, acute care teaching hospital, headquartered in Elizabeth, New Jersey. Under the terms of the Definitive Agreement, dated November 11, 2020, the role of Trinitas as a full service, Catholic provider of acute healthcare services for the eastern Union County community will be enhanced. The Corporation will make significant investments in Trinitas and will expand the network of outpatient services currently provided by Trinitas, resulting in an even higher level of care for the community.

On January 27, 2022, in connection with the Definitive Agreement, the Corporation legally defeased all of the outstanding New Jersey Health Care Facilities Financing Authority Refunding and Revenue Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2016A and all of the outstanding New Jersey Health Care Facilities Financing Authority Refunding Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2017A.

Management evaluated all events occurring subsequent to December 31, 2021 and through February 14, 2022, the date the consolidated financial statements were available to be issued. The Corporation did not have any material recognizable subsequent events during the period, except as previously disclosed.

RWJ BARNABAS HEALTH, INC.

Note to Consolidated Financial Statements - Obligated Group

The following financial information as of and for the years ended December 31, 2021 (unaudited) and 2020 (audited) on pages 38 and 39 of the Corporation's Obligated Group was prepared for purposes of accommodating a certain group of bond and note holders. The financial information reflects the financial position and results of operations and changes in net assets of the Obligated Group and not of the entire Corporation and is not intended to be presented in conformity with U.S. generally accepted accounting principles.

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets - Obligated Group

(In thousands)

Assets		**December 31, 2021** (unaudited)	**December 31, 2020** (audited)
Current assets:			
Cash and cash equivalents	$	216,486	185,327
Short-term investments		794,481	578,074
Assets limited or restricted as to use		61,020	55,604
Patient accounts receivable, net		592,591	527,453
Estimated amounts due from third party payors		105,321	31,022
Other current assets		317,805	224,348
Total current assets		2,087,704	1,601,828
Assets limited or restricted as to use, non-current portion		611,677	123,550
Investments		4,769,457	5,001,320
Property, plant and equipment, net		2,755,902	2,428,194
Right-of-use asset		182,579	191,468
Other assets, net		493,721	447,871
Total assets		10,901,040	9,794,231
Liabilities and Net Assets			
Current liabilities:			
Accounts payable		433,174	347,817
Accrued expenses and other current liabilities		856,806	803,713
Estimated amounts due to third party payors		369,465	193,182
Long-term debt		42,424	12,871
Lease obligation		22,482	26,768
Due to affiliates, net		322,556	190,535
Self-insurance liabilities		40,797	33,579
Total current liabilities		2,087,704	1,608,465
Estimated amounts due to third party payors, net of current portion		62,124	400,038
Self insurance liabilities, net of current portion		112,202	100,195
Long-term debt, net of current portion		3,256,755	2,525,076
Lease obligation, net of current portion		163,933	164,591
Accrued pension liability		32,470	31,465
Other liabilities		131,627	162,193
Due to affiliates, long term, net		14,813	19,813
Total liabilities		5,861,628	5,011,836
Net assets		5,039,412	4,782,395
Total liabilities and net assets	$	10,901,040	9,794,231

See accompanying note to consolidated financial statements - obligated group.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Operations and Changes in Net Assets - Obligated Group

Years ended December 31, 2021 and 2020

(In thousands)

		2021 (unaudited)	2020 (audited)
Revenue:			
Net patient service revenue	$	5,449,938	4,625,099
CARES Act Funding		64,933	520,451
Other revenue, net		361,683	248,190
Total revenue		5,876,554	5,393,740
Expenses:			
Salaries and wages		2,199,408	2,041,893
Physician fees and salaries		588,504	544,731
Employee benefits		463,537	414,281
Supplies		1,126,049	995,140
Other		1,079,557	936,858
Interest		99,755	100,196
Depreciation and amortization		255,696	244,176
Total expenses		5,812,506	5,277,275
Income from operations		64,048	116,465
Nonoperating revenue (expenses):			
Investment income, net		323,425	793,721
Other, net		(51)	1,722
Total nonoperating revenue, net		323,374	795,443
Excess of revenue over expenses		387,422	911,908
Other changes in net assets:			
Pension changes other than net periodic benefit cost		(2,981)	(11,282)
Net assets released from restriction for purchases of property and equipment		19,494	18,107
Net assets transferred from non-obligated group		-	9,668
Other, net		(146,918)	(4,327)
Increase in net assets	$	257,017	924,074

See accompanying note to consolidated financial statements - obligated group.