RWJ BARNABAS HEALTH, INC.

Consolidated Financial Statements and
Supplementary Information

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

RWJ BARNABAS HEALTH, INC.

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
RWJ Barnabas Health, Inc.:

We have audited the accompanying consolidated financial statements of RWJ Barnabas Health Inc. (the Corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended December 31, 2018 and 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RWJ Barnabas Health, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended December 31, 2018 and 2017, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(b) to the consolidated financial statements, the Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* and ASU No. 2014-09*, Revenue from Contracts with Customers* during the year ended December 31, 2018 on a retrospective basis. Our opinion is not modified with respect to these matters.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance

KPMG LLP

May 13, 2019

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets

December 31, 2018 and 2017

(In thousands)

Assets		2018	2017
Current assets:			
Cash and cash equivalents	$	340,495	85,786
Investments		26,662	37,315
Assets limited or restricted as to use		57,322	65,339
Patient accounts receivable		507,856	500,377
Other current assets		201,664	174,239
Total current assets		1,133,999	863,056
Assets limited or restricted as to use, noncurrent portion		240,142	239,020
Investments		3,147,905	3,206,160
Property, plant, and equipment, net		2,164,391	2,040,076
Other assets, net		280,876	233,599
Total assets	$	6,967,313	6,581,911
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	308,232	293,354
Accrued expenses and other current liabilities		684,835	631,582
Estimated amounts due to third-party payors, net		6,368	9,633
Long-term debt		8,442	16,701
Self-insurance liabilities		65,585	65,285
Total current liabilities		1,073,462	1,016,555
Estimated amounts due to third-party payors, net of current portion		41,711	48,571
Self-insurance liabilities, net of current portion		254,786	235,822
Long-term debt, net of current portion		2,089,281	1,803,497
Accrued pension liability		78,020	79,076
Other liabilities		169,451	159,107
Total liabilities		3,706,711	3,342,628
Net assets:			
Without donor restrictions		3,084,128	3,074,321
With donor restrictions		176,474	164,962
Total net assets		3,260,602	3,239,283
Total liabilities and net assets	$	6,967,313	6,581,911

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Operations

Years ended December 31, 2018 and 2017

(In thousands)

		2018	2017
Revenue:			
Net patient service revenue	$	5,100,225	4,833,782
Other revenue, net		251,083	238,378
Total revenue		5,351,308	5,072,160
Expenses:			
Salaries and wages		1,968,956	1,872,037
Physician fees and salaries		499,275	461,174
Employee benefits		412,406	378,924
Supplies		1,015,002	935,268
Other		942,265	895,899
Interest		71,178	64,320
Depreciation and amortization		227,067	210,534
Total expenses		5,136,149	4,818,156
Income from operations		215,159	254,004
Nonoperating (expenses) revenue:			
Investment (loss) income, net		(132,629)	335,082
Research and education		(55,000)	(7,500)
Other, net		(5,240)	(10,575)
Total nonoperating (expenses) revenue, net		(192,869)	317,007
Excess of revenue over expenses		22,290	571,011
Other changes:			
Net change in unrealized (losses) gains on available for sale investments		(1,019)	380
Pension changes other than net periodic benefit cost		(19,231)	32,519
Net assets released from restriction for purchases of property and equipment		12,804	32,129
Other, net		(5,037)	4,977
Increase net assets without donor restrictions	$	9,807	641,016

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2018 and 2017

(In thousands)

		Without donor restrictions	With donor restrictions	Total net assets
Net assets at December 31, 2016	$	2,433,305	147,778	2,581,083
Changes in net assets:				
Excess of revenue over expenses		571,011	—	571,011
Net change in unrealized gains (losses) on available for sale investments		380	(75)	305
Pension changes other than net periodic benefit cost		32,519	—	32,519
Change in interest in restricted net assets of unconsolidated foundations		—	1,770	1,770
Net assets released from restriction		32,129	(42,953)	(10,824)
Restricted contributions		—	56,052	56,052
Investment income on restricted investments, net		—	508	508
Change in interest in perpetual trust		—	3,111	3,111
Other		4,977	(1,229)	3,748
Change in net assets		641,016	17,184	658,200
Net assets at December 31, 2017		3,074,321	164,962	3,239,283
Changes in net assets:				
Excess of revenue over expenses		22,290	—	22,290
Net change in unrealized losses on available for sale investments		(1,019)	(463)	(1,482)
Pension changes other than net periodic benefit cost		(19,231)	—	(19,231)
Change in interest in restricted net assets of unconsolidated foundations		—	(944)	(944)
Net assets released from restriction		12,804	(23,379)	(10,575)
Restricted contributions		—	35,372	35,372
Investment income on restricted investments, net		—	653	653
Change in interest in perpetual trust		—	(130)	(130)
Other		(5,037)	403	(4,634)
Change in net assets		9,807	11,512	21,319
Net assets at December 31, 2018	$	3,084,128	176,474	3,260,602

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

(In thousands)

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	21,319	658,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Pension changes other than net periodic benefit cost		19,231	(32,519)
Depreciation and amortization expense		227,067	210,534
Amortization of bond financing costs, premiums and discounts		(5,315)	(5,355)
Net change in unrealized gains on investments		320,826	(223,108)
Realized gains on investments		(133,630)	(63,970)
Equity in income of joint ventures		(35,304)	(26,652)
Distributions received from investments in joint ventures		48,472	22,589
Distributions to noncontrolling interests		628	767
Gain on sale of assets		(170)	(508)
Contributions restricted for long-term use		(17,360)	(36,053)
Purchase of noncontrolling interest		5,887	—
Changes in operating assets and liabilities:			
Patient accounts receivable		(7,479)	(5,448)
Other assets		(70,200)	(21,865)
Accounts payable, accrued expenses, and other current liabilities		50,981	78,186
Estimated amounts due from and to third-party payors		(10,125)	1,493
Accrued pension liability		(20,287)	(3,578)
Self-insurance and other long-term liabilities		29,608	54,754
Net cash provided by operating activities		424,149	607,467
Cash flows from investing activities:			
Purchases of property, plant, and equipment		(335,125)	(264,577)
Proceeds from bond funds		33,960	104,250
Proceeds from the sale of investments and assets limited or restricted as to use		21,068	26,522
Purchases of investments and assets limited or restricted as to use		(35,500)	(52,247)
Purchases of trading securities		(3,184,354)	(3,861,664)
Proceeds from the sale of trading securities		3,053,314	3,515,137
Investment in joint venture		(26,214)	(28,778)
Cash and restricted cash received in acquisition		5,838	—
Proceeds from sale of assets		896	896
Net cash used in investing activities		(466,117)	(560,461)
Cash flows from financing activities:			
Proceeds from issuance of debt		300,000	—
Repayments of long-term debt		(17,225)	(54,041)
Payments for deferred financing costs		(1,784)	—
Distributions to noncontrolling interests		(628)	(767)
Purchase of noncontrolling interest		(5,887)	—
Proceeds from contributions restricted for long-term use		17,360	36,053
Proceeds from contributions and grants		438	781
Net cash provided by (used in) financing activities		292,274	(17,974)
Net increase in cash and cash equivalents		250,306	29,032
Cash, cash equivalents and restricted cash at beginning of year		104,811	75,779
Cash, cash equivalents and restricted cash at end of year	$	355,117	104,811
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	70,706	47,727
Capital lease obligations incurred		1,849	—
Supplemental disclosures of noncash investing and financing activities:			
Change in noncash acquisitions of property, plant, and equipment	$	15,134	8,877
Cash and cash equivalents	$	340,495	85,786
Restricted cash included in assets limited or restricted as to use		14,622	19,025
Total cash, cash equivalents and restricted cash	$	355,117	104,811

See accompanying notes to 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, fitness and wellness centers, retail pharmacy services, medical groups, multi-site imaging centers, accountable care organizations, a burn treatment facility, comprehensive cardiac surgery services, including a heart transplant center, a lung transplant center, kidney transplant centers, comprehensive cancer services and comprehensive breast centers.

(2) Significant Accounting Policies

(a) Basis of Accounting of Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and 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. All significant intercompany balances and transactions have been eliminated.

(b) Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles (GAAP) and is intended to improve and converge with international standards the financial reporting requirements for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. Effective January 1, 2018, the Corporation has elected the full retrospective application for the adoption of the guidance to all contracts under the scope of the guidance and there was no material impact to the Corporation related to its existing revenue streams. Periods prior to adoption have been displayed to conform to the net presentation of a single net patient service revenue total in the consolidated statements of operations. Previously, the period ended December 31, 2017 included separate lines for patient service revenue prior to provision for bad debts of $4,999,281, provision for bad debts of $165,499, and net patient service revenue less provision for bad debts $4,833,782. The related presentation of “allowances for doubtful accounts” on the consolidated balance sheets has also been eliminated as a result of the adoption of the standard.

(Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* which requires not-for-profit entities to revise its financial presentation to include net asset classifications, provide quantitative and qualitative information as to available resources and management of liquidity and liquidity risk and expanded disclosures on functional expenses. The Corporation adopted the new standard as of December 31, 2018 on a retrospective basis. There were no material changes to the consolidated balance sheets, statements of operations, and changes in net assets or cash flows as a result of the adoption. Periods prior to adoption have been displayed to conform to the new presentation of a single classification of net assets with donor restrictions. Previously, the consolidated balance sheets displayed temporarily restricted net assets of $131,468 and permanently restricted net assets of $33,494.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Corporation has elected to early adopt ASU 2018-08 for the year ended December 31, 2018 and has applied the standard on a modified prospective basis. The amendments in this update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The application of this guidance did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which consists of a comprehensive lease accounting standard. Under the new standard, assets and liabilities arising from most leases will be recognized on the balance sheet and enhanced disclosures on key quantitative and qualitative information about leasing arrangements will be required. Leases will be classified as either operating or financing, and the lease classification will determine whether expense is recognized on a straight-line basis (operating leases) or based on an effective interest method (financing leases). The new standard is effective for interim and annual periods commencing on January 1, 2019. The Corporation has applied the transitional package of practical expedients allowed by the standard relating to the identification, classification, and initial direct costs of leases commencing before January 1, 2019; however, the Corporation did not elect the hindsight transitional practical expedient. The Corporation has made an accounting policy election to not apply recognition requirements of the guidance to short-term leases. In July 2018, the FASB issued ASU 2018-11, *Leases: Targeted Improvements*, which provides an optional transition method that allows entities to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption while comparative periods presented will continue to be in accordance with current Accounting Standards Codification (ASC) Topic 840, *Leases*. The Corporation is using the optional transition method to apply the lease standard as of January 1, 2019. The Corporation has made enhancements to its information systems and internal controls in response to the new rule requirements, including the implementation of a lease tracking software for reporting information related to leases. The Corporation is prepared to provide expanded disclosures in the consolidated financial statements and management will recognize assets and liabilities of approximately $222 million and $228 million, respectively, as of the transition date. The adoption of ASU 2016-02 is not expected to have a material impact on the Corporation’s results of operations or cash flows.

(In thousands)

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

(d) Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and highly liquid debt instruments with original maturities of three months or less, excluding assets limited or restricted as to use.

(e) Patient Accounts Receivable

The Corporation has agreements with third-party payors that provide for payment at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Management regularly reviews accounts and contracts and provides appropriate contractual allowances and discounts that are netted against patient accounts receivable in the consolidated balance sheets. The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. The percentages of patient accounts receivable from patients and third-party payors as of December 31, 2018 and 2017 were as follows:

	December 31	
	2018	**2017**
Medicare	17 %	17 %
Managed Medicare	9	8
Medicaid	6	5
Managed Medicaid	10	9
Blue Cross	15	15
Commercial and other managed care	33	35
Self-pay patients and other	10	11
	100 %	100 %

(f) Revenue

(i) Net Patient Service Revenue

The Corporation’s net patient service revenue is reported 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, third-party payors, and others 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. Generally, performance obligations satisfied over time relate to inpatient services. 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. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Corporation does not believe it is required to provide additional goods or services to the patient.

The majority of the Corporation's services are rendered to patients with third party coverage. Reimbursement under these programs for all payors is based on a combination of prospectively determined rates, discounted charges and historical costs. 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. For further discussion on third party reimbursement, refer to note 4. 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 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 are based on historical 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, 2018 or 2017.

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. copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the 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 rates. 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.

(In thousands)

The following tables reflect net patient service revenue from third-party payors, government subsidies and others (including uninsured patients) for the years ended December 31, 2018 and 2017:

		2018		
		Inpatient	**Outpatient**	**Total**
Medicare	$	858,663	399,589	1,258,252
Managed Medicare		281,102	166,196	447,298
Medicaid		138,717	37,291	176,008
Managed Medicaid		356,872	358,943	715,815
Blue Cross		490,436	629,748	1,120,184
Commercial and managed care		567,960	499,054	1,067,014
Self-pay patients and other		106,517	133,446	239,963
State of New Jersey subsidy revenue		75,691	—	75,691
Total net patient service revenue	$	2,875,958	2,224,267	5,100,225

		2017		
		Inpatient	**Outpatient**	**Total**
Medicare	$	814,169	407,648	1,221,817
Managed Medicare		228,978	139,474	368,452
Medicaid		90,760	84,795	175,555
Managed Medicaid		470,765	188,619	659,384
Blue Cross		450,117	630,726	1,080,843
Commercial and managed care		521,938	494,508	1,016,446
Self-pay patients and other		48,289	182,056	230,345
State of New Jersey subsidy revenue		80,940	—	80,940
Total net patient service revenue	$	2,705,956	2,127,826	4,833,782

(ii) Other Revenue

Other revenue includes income from grant revenue, equity in the income of joint ventures, contributions, net assets released from restriction, cafeteria and parking. 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*. Equity in the income of joint ventures continues to be evaluated under ASC Topic 323, *Investments – Equity Method and Joint Ventures*.

Additionally, pharmacy sales and other contracts related to health care 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 can be reasonably assured.

(g) Supplies

Supplies are carried at the lower of cost or net realizable value, determined principally on an average cost basis. Supplies, totaling $94,019 and $81,096, are included in other current assets in the consolidated balance sheets at December 31, 2018 and 2017, respectively.

(h) Assets Limited or Restricted as to Use

Assets limited or restricted as to use include assets held by trustees under bond indenture agreements, assets restricted for self-insurance, assets held for supplemental retirement benefits, and assets restricted by donors for specific purposes or endowment. Amounts required to meet current liabilities of the Corporation are classified as current assets. Restricted cash of $14,622 and $19,025 as of December 31, 2018 and 2017, respectively, is included in assets limited or restricted as to use, noncurrent portion in the consolidated balance sheets.

(i) Investments and Investment Income

A significant portion of the Corporation’s investments are held in an investment portfolio maintained for the benefit of the Corporation and its affiliates and subsidiaries. Investments are classified as trading investments except for certain investments, which are limited or restricted as to use and are classified as investments available for sale. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, based on quoted market prices. Donated investments are recorded at their fair value, based on quoted market prices at the date of receipt.

Alternative investments (nontraditional, not readily marketable asset classes) within the investment portfolio are structured such that the Corporation holds interests in private investment funds, consisting of hedge funds and private equity funds. These investments are reported at fair value as estimated and reported by general partners, based upon the underlying net asset value (NAV) of the fund or partnership as a practical expedient. Because of inherent uncertainty in these valuations, those estimated values may significantly differ from the values that would have been used had a ready market for the investments existed, and differences could be material.

Unrealized gains and losses on trading securities are recorded as nonoperating revenue. Unrealized gains and losses on available for sale investments are recorded as other changes in net assets. Changes in the fair value of alternative investments are included in nonoperating revenue. Investment income and realized gains and losses on assets restricted by donors for specific purposes or endowment are included in net assets with donor restrictions. A decline in fair value, deemed other than temporary for available for sale investments, results in a reduction in carrying amount and the related loss is included in nonoperating revenue.

(Continued)

(j) Property, Plant and Equipment

Property, plant, and equipment expenditures are recorded at cost. Donated assets are recorded at fair value at the date of donation. Capitalized leases are recorded at the present value of the future minimum lease payments at the inception of the lease and are included in property, plant, and equipment.

Depreciation expense is computed on a straight-line basis using estimated useful lives of the assets ranging from 2 to 40 years. Equipment held under capital leases and leasehold improvements is amortized using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term. Such amortization is included in depreciation expense.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as net assets without donor restrictions and are excluded from the excess of revenue over expenses in the consolidated statements of operations, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(k) Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain debt financing arrangements. Amortization of these costs is provided using the effective-interest method over the terms of the applicable indebtedness. Deferred financing costs are presented as a reduction of the related debt.

During 2018, the Corporation incurred $1,784 of deferred financing costs related to the issuance of senior secured taxable fixed rate debt. No deferred financing costs were incurred by the Corporation during 2017.

(l) Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations.

Pledges receivable represent an unconditional promise to give cash and other assets to the Corporation’s affiliates over a period not greater than 20 years. Such amounts are recorded at their present value at the date the promise is received, net of an allowance for uncollectible pledges. Such amounts are included as externally designated or restricted noncurrent assets limited as to use in the consolidated balance sheets.

(Continued)

(In thousands)

(m) Net Assets

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the Board of Trustees are not considered to be donor restricted. Net assets with donor restrictions represent funds, including contributions and accumulated investment returns, whose use has been restricted by donors to a specific period or purpose or that have been restricted by donors to be maintained in perpetuity to provide a permanent source of income. Generally, the donors of these donor restricted assets permit the use of part of the income earned on related investments for specific purposes.

Net assets without and with donor restrictions are available for the following purposes:

		December 31 2018	December 31 2017
Without donor restrictions:			
Designated by the board	$	1,000	1,000
Undesignated		3,083,128	3,073,321
With donor restrictions:			
Perpetual in nature		33,394	33,494
Purpose restricted		135,160	131,468
Time restricted		7,920	—
Net assets	$	3,260,602	3,239,283

(n) Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets for cash and cash equivalents, patient accounts receivable, net, estimated amounts due to/from third party payors, net, other current assets, accounts payable, accrued expenses, and other current liabilities approximate fair value.

(o) Performance Indicator

The consolidated statements of operations include a performance indicator, which is the excess of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, include unrealized gains and losses on investments that are classified as available for sale, certain changes in pension obligations, capital contributions and other transactions.

The Corporation differentiates its ongoing operating activities by providing income from operations as a sub performance indicator. Investment income, net (excluding unrealized gains and losses on available for sale investments), net periodic benefit costs other than service costs, investment in Rutgers, and other transactions, which are not considered to be components of the Corporation’s ongoing activities are excluded from income from operations and reported as nonoperating revenue in the consolidated statements of operations. Investment income earned on assets limited as to use under bond indenture agreements is included in other revenue in the consolidated statements of operations.

(p) Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as patient service revenue.

(q) Income Taxes

The Corporation and its affiliates, excluding its for-profit subsidiaries and nominee owned captive professional medical services corporation, are not-for-profit corporations and are exempt from federal and state income taxes on related income under existing provisions of the Internal Revenue Code and State of New Jersey statutes.

The Corporation’s for-profit subsidiaries have recorded various deferred income tax assets and liabilities that reflect temporary differences between the amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes. These amounts are not material to the consolidated financial position of the Corporation and are included as other assets or other liabilities in the consolidated balance sheets as appropriate. In addition, the provision for income taxes recorded by the Corporation’s for-profit subsidiaries is not material to the consolidated results of operations of the Corporation and is included as other expenses in the consolidated statements of operations.

Certain for-profit subsidiaries have federal net operating loss (NOL) carryforwards of approximately $82,433 that expire through 2037 and State of New Jersey NOL carryforwards of approximately $69,039 that expire through 2038.

At December 31, 2018 and 2017, all deferred tax assets related to these NOL carryforwards have been fully reserved.

The Corporation does not have any significant uncertain tax positions as of December 31, 2018 and 2017.

(r) Self-Insurance

Under the Corporation's self-insurance programs, claims are recorded based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments.

(s) Impairment of Long-Lived Assets

Management routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of assets, or related group of assets, may not be recoverable from estimated undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds its estimated recoverability, an asset impairment charge is recognized for the difference between the fair value and carrying value of the asset.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining useful lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining useful lives. In estimating the future cash flows for determining whether an asset is impaired, the Corporation groups its assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charge was recorded during the years ended December 31, 2018 and 2017.

(t) Goodwill and Intangible Assets

Goodwill and intangible assets are accounted for under ASC Topic 350, *Intangibles – Goodwill and Other*. Goodwill represents the excess of the aggregate purchase price over the fair value of net assets acquired in business combinations. Intangible assets represent the acquisition of the Rutgers Health brand name. Identifiable intangible assets are initially recorded at fair market value at the time of acquisition using the income approach. Goodwill and intangible assets have indefinite useful lives and are not amortized, but are subjected to impairment tests. The Corporation performs impairment testing at least annually or more frequently if events or circumstances change creating a reasonable possibility that an impairment may exist. No impairment of goodwill or intangible assets was deemed necessary during the years ended December 31, 2018 and 2017. At December 31, 2018 and 2017, respectively, other assets, net include approximately $51,000 and $5,717 of goodwill and intangible assets.

(u) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(In thousands)

(3) Charity Care and Community Benefit

In accordance with the Corporation's mission and philosophy, the Corporation's hospitals commit substantial resources to both the indigent population and the broader community. The Corporation's charity care policy is to provide care without regard to the patient's ability to pay for services rendered. To the extent that patients do not have the ability to pay, services rendered to those patients are reported as charity care. The Corporation's hospitals and affiliates also provide other benefits through a broad range of community service programs and charitable activities. The amount of charity care, community service programs, and charitable activities, at estimated cost, provided to the indigent population and broader community for the years ended December 31, 2018 and 2017 is as follows:

		2018	2017
Cost of charity care and community benefit programs:			
Net estimated cost of charity care provided, less state subsidy funding	$	98,632	83,563
Unpaid cost of public programs, Medicaid, and other means – tested programs		233,193	201,584
Other programs:			
Cash and in-kind donations	$	3,200	4,675
Education and research		88,758	83,717
Subsidized departments		59,762	53,593
Other community benefits		10,150	9,914

The Corporation's hospitals utilize a cost to charge ratio methodology to convert charity care to cost. The cost to charge ratio is calculated utilizing the Corporation's cost accounting system or filed cost reports.

The State of New Jersey's regulations provide for the distribution of funds from a Charity Care Fund, which is intended to partially offset the cost of services provided to the uninsured. For the years ended December 31, 2018 and 2017, the Corporation's hospitals received distributions from the Charity Care Fund of $27,981 and $35,412, respectively, which are included in net patient service revenue.

(4) Healthcare Reimbursement System

(a) The Corporation records net patient service revenue at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. Patient service revenue consists of amounts charged for services rendered less estimated discounts for contractual and other allowances for patients covered by Medicare, Medicaid, and other health plans and discounts offered to patients under the Corporation's uninsured discount program.

The Medicare program currently pays for most services at predetermined rates; however, certain services and specified expenses continue to be reimbursed on a cost basis. The Medicaid program also currently reimburses the Corporation at predetermined rates for inpatient services and on a cost reimbursement methodology for outpatient services. Regulations require annual retroactive settlements for cost-based reimbursement and other payment arrangements through cost reports filed by the Corporation.

The Corporation also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. These agreements have retrospective audit clauses, allowing the payor to review and adjust claims subsequent to initial payment.

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. In accounting for Medicare and Medicaid cost report settlements, the Corporation records all third-party receivables and liabilities at their estimated realizable values. Management periodically reviews recorded amounts receivable from, or payable to, third-party payors and adjusts these balances as new information becomes available. In addition, revenue received under certain third-party agreements is subject to audit.

During the years ended December 31, 2018 and 2017, certain of the Corporation's 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 the adjustments becomes known. Accordingly, the Corporation evaluated the results of these settlements on its open cost reports. The effect of cost report settlements and other adjustments increased patient service revenue by approximately $18,256 and $17,294 for the years ended December 31, 2018 and 2017, respectively. 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. Medicare cost reports for all years prior to 2014, except for 2011, have been audited and settled. Medicaid cost reports for all years prior to 2015 have been audited and settled for all acute care hospitals. For the pediatric rehabilitation hospital, Medicaid cost reports have been audited by the fiscal intermediary through December 31, 2015, though the settlement has not been finalized for the year 2015.

The fiscal intermediary may reopen certain years related to specific settlement items in the cost report year.

The Corporation has a compliance program to monitor conformity with applicable laws and regulations, but the possibility of future government review and interpretation exists. The Corporation is not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing.

(b) The Corporation and others in the healthcare industry are subject to certain inherent risks, including the following:

- Substantial dependence on revenue derived from reimbursement by the Federal Medicare and State Medicaid programs that have been reduced in recent years and which entail exposure to various healthcare fraud statutes
- Government regulations, government budgetary constraints, and proposed legislative and regulatory changes

(In thousands)

Such inherent risks require the use of certain management estimates in the preparation of the Corporation's consolidated financial statements and it is reasonably possible that a change in such estimates may occur. Management of the Corporation believes that adequate provision has been made in the consolidated financial statements for the matters discussed above and their ultimate resolution will not have a material effect on the consolidated financial statements.

(5) Investments and Assets Limited or Restricted as to Use

Investments and assets limited or restricted as to use consist of the following:

	December 31	
	2018	**2017**
Investments and assets limited or restricted as to use:		
Cash and cash equivalents and money market funds	$ 270,263	192,201
U.S. government obligations/municipal bonds	303,424	286,978
Corporate bonds	334,815	313,159
Certificates of deposit	2,779	755
Mutual funds	1,530,337	1,735,902
Equity securities	99,683	52,002
Unit investment trusts	870	—
Asset backed securities	91,128	62,005
Mortgage-backed securities	39,356	41,074
Alternative investments	759,446	826,067
Pledges receivable, net	29,358	21,002
Other investments	3,219	11,285
Accrued interest	7,353	5,404
Total investments and assets limited or restricted as to use	$ 3,472,031	3,547,834

These amounts are reflected in the consolidated balance sheets as follows:

	December 31	
	2018	**2017**
Current portion:		
Investments	$ 26,662	37,315
Assets limited or restricted as to use	57,322	65,339
Noncurrent assets limited or restricted as to use	240,142	239,020
Investments	3,147,905	3,206,160
	$ 3,472,031	3,547,834

(In thousands)

Investments and assets limited or restricted as to use are classified as follows:

		December 31	
		2018	2017
Investments	$	3,174,567	3,243,475
Self-insurance funds		17,479	18,603
Donor-restricted funds and pledges receivable, net		153,867	136,096
Funds held by bond trustees under bond indenture agreements		37,214	71,288
Other limited use funds		88,904	78,372
	$	3,472,031	3,547,834

Assets held under bond indenture agreements are maintained for the following purposes:

		December 31	
		2018	2017
Capital project funds	$	—	32,015
Interest funds		36,185	36,330
Principal funds		1,029	2,943
	$	37,214	71,288

The Corporation’s investments are exposed to various kinds and levels of risk. Fixed income securities, including fixed income mutual funds, expose the Corporation to interest rate risk, credit risk, and liquidity risk. As interest rates change, the values of many fixed income securities are affected, particularly those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities.

Corporate bonds, equity mutual funds, and commercial mortgage-backed securities expose the Corporation to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Performance risk is the risk associated with a particular fund’s operating performance. Liquidity risk, as previously defined, tends to be higher for international funds and small capitalization equity funds.

The Corporation has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Trustees, contains standards designed to ensure adequate diversification by asset category and geography. The IPS also limits fixed income investments by credit rating, which serves to further mitigate the risk associated with the investment program. At December 31, 2018 and 2017, management believes that its investment positions are in accordance with guidelines established by the IPS.

(In thousands)

(6) Liquidity and Availability of Resources

Financial assets available within one year of the balance sheet date for general expenditures such as operating expenses and construction costs not financed with debt are as follows:

		December 31	
		2018	**2017**
Cash and cash equivalents	$	340,495	85,786
Short-term investments		26,662	37,315
Patient accounts receivable		507,856	500,377
Other current assets		52,935	55,943
	$	927,948	679,421

Current financial assets not available for general use because of contractual or donor-imposed restrictions were $57,322 and $65,339 at December 31, 2018 and 2017, respectively. Amounts not available for general use include amounts set aside for scheduled principal payments on debt, self-insurance funds, and perpetual, time, and purpose restricted assets.

As of December 31, 2018, the Corporation has liquid assets on hand to cover 248 days of operating expenses. The Corporation's practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Corporation could draw upon a $35,000 available line of credit.

(7) Fair Value Measurements

ASC Topic 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.

(In thousands)

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, 2018 and 2017:

	December 31, 2018				
	Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Available for sale investments:					
Investment categories:					
Cash and cash equivalents and money market funds	$ 97,854	97,854	—	—	—
Equity mutual funds	12,053	12,053	—	—	—
Fixed income mutual funds	50,063	50,063	—	—	—
Certificates of deposit	2,779	—	2,779	—	—
Corporate bonds	193	—	193	—	—
Government bonds	301	—	301	—	—
Total available for sale investments	163,243	159,970	3,273	—	—
Trading investments:					
Investment categories:					
Cash and cash equivalents and money market funds	172,409	172,409	—	—	—
Equity securities	99,683	99,683	—	—	—
Equity mutual funds	840,592	840,592	—	—	—
Fixed income mutual funds	627,629	421,712	205,917	—	—
Unit investment trusts	870	870	—	—	—
Commercial mortgage-backed securities	39,356	—	39,356	—	—
Corporate bonds	334,622	—	334,622	—	—
Asset-backed securities	91,128	—	91,128	—	—
Government bonds	204,226	—	204,226	—	—
Government mortgage-backed securities	78,852	—	78,852	—	—
Municipal bonds	20,045	—	20,045	—	—
Alternative investments	759,446	—	—	—	759,446
Total investments trading	3,268,858	1,535,266	974,146	—	759,446
Total	$ 3,432,101	1,695,236	977,419	—	759,446

(In thousands)

	December 31, 2017				
	Fair value	Level 1	Level 2	Level 3	NAV
Available for sale investments:					
Investment categories:					
Cash and cash equivalents and money market funds	$ 132,804	132,804	—	—	—
Equity mutual funds	10,261	10,261	—	—	—
Fixed income mutual funds	45,119	45,119	—	—	—
Certificates of deposit	755	—	755	—	—
Corporate bonds	499	—	499	—	—
Total available for sale investments	189,438	188,184	1,254	—	—
Trading investments:					
Investment categories:					
Cash and cash equivalents and money market funds	59,397	59,397	—	—	—
Equity securities	52,002	52,002	—	—	—
Equity mutual funds	1,106,383	1,106,383	—	—	—
Fixed income mutual funds	574,139	350,736	223,403	—	—
Commercial mortgage-backed securities	41,074	—	41,074	—	—
Corporate bonds	312,660	—	312,660	—	—
Asset-backed securities	62,005	—	62,005	—	—
Government bonds	167,908	—	167,908	—	—
Government mortgage-backed securities	97,499	—	97,499	—	—
Municipal bonds	21,571	—	21,571	—	—
Alternative investments	826,067	—	—	—	826,067
Total investments trading	3,320,705	1,568,518	926,120	—	826,067
Total	$ 3,510,143	1,756,702	927,374	—	826,067

There were no transfers among Levels 1, 2, and 3 during the years ended December 31, 2018 and 2017. There are no financial liabilities reported at fair value.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Corporation’s business, its value, or consolidated financial position based on the fair value information of financial assets presented.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. The disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the Corporation's fixed income securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Inputs include direct or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar assets or liabilities exchanged in active or inactive markets; quoted prices for identical assets or liabilities in inactive markets; other inputs that may be considered in fair value determination include interest rates and yield curves, volatilities, and credit risk. Pricing evaluations generally reflect discounted expected future cash flows, which incorporate yield curves for instruments with similar characteristics, such as credit rating, duration, and yields. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The Corporation's fixed income securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the Corporation from observable market quotations, when available.

Mutual funds and unit investment trusts are valued at the NAV of shares held at year-end, based on published market quotations on active markets.

Fair values of commercial mortgage-backed securities and asset backed securities have been determined by the Corporation based on a discounted future cash flows methodology, using current market interest rate data adjusted for inherent credit risk or quoted market prices and recent transactions, when available.

Fair values of U.S. government obligations/municipal bonds and corporate bonds have been determined by the Corporation from observable market quotations, when available. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.

Fair values of bank loans are determined by the Corporation using quoted prices of securities with similar coupon rates and maturity dates or discounted cash flows.

(In thousands)

The following tables summarize redemption terms and the Corporation's commitments for the hedge funds and others as of December 31, 2018 and 2017:

	2018			
Description of investment	**Carrying value**	**Unfunded commitment**	**Redemption frequency**	**Redemption notice required**
Hedge funds	$ 416,149	—	Monthly – Annually	30–90 days written notice
Private equity	147,980	38,657	—	—
Real estate	120,669	—	Quarterly	60–90 days written notice
Other	74,648	9,917	Monthly – Quarterly	30–90 days written notice

	2017			
Description of investment	**Carrying value**	**Unfunded commitment**	**Redemption frequency**	**Redemption notice required**
Hedge funds	$ 588,857	—	Monthly – Annually	30–90 days written notice
Private equity	123,336	68,523	—	—
Real estate	113,874	—	Quarterly	60–90 days written notice

Investments in hedge funds, interests in investment funds with complex portfolio-construction and risk management techniques, are typically carried at estimated fair value. Fair value is estimated based on the NAV of the shares in each investment company or partnership. Changes in unrealized gains or losses on investments, including those for which partial liquidations were effected in the course of the year, are calculated as the difference between the NAV of the investment at year-end less the NAV of the investment at the beginning of the year, as adjusted for contributions and redemptions made during the year. The Corporation holds $68,800 of investments in hedge funds, which are subject to a 50% gate holdback. Generally, no dividends or other distributions are paid.

Investments in private equity funds, typically structured as limited partnership interests, are carried at fair value and estimated using NAV or equivalent as determined by the general partner in the absence of readily ascertainable market values. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. Voluntary redemptions are generally not permitted by limited partners and investments in these partnership interests are through the life of the fund. The fair value of limited partnership interests is generally based on fair value capital balances reported by the underlying partnerships, subject to management review and adjustment.

Real estate funds invest primarily in institutional quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Fair value is estimated based on the NAV of the shares in each partnership. The Partnership distributes current income to the partners on a quarterly basis based on each partners' interest. Partners can choose to participate in a reinvestment plan in which all distributions are automatically invested in additional units. Redemptions can generally be made quarterly with 90 days' prior written notice after the lock-up period expires.

(In thousands)

Investments in other alternative investments consist of private debt funds structured as a limited partnership interest with ability to invest in short term opportunities, and are carried at fair value and estimated using NAV or equivalent as determined by the general partner in the absence of readily ascertainable market values. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. Voluntary redemptions are not permitted and investment is through the life of the fund. The Corporation also invests in certain venture capital funds. Investments in venture capital funds, typically structured as limited partnerships, consist of ownership stakes in small to medium sized start-up firms. These firms generally have high growth potential and are characterized by higher risk/reward profiles. Distributions under this investment structure are typically made to investors through the liquidation of the underlying assets. Voluntary redemptions are generally not permitted by limited partners and investments in these partnership interests are through the life of the fund.

(8) Property, Plant, and Equipment

Property, plant, and equipment consist of the following as of December 31, 2018 and 2017:

		2018	2017
Land and improvements	$	148,408	146,426
Buildings and leasehold improvements		2,847,732	2,696,244
Fixed equipment		376,458	373,888
Major movable equipment		1,754,597	1,635,316
Capitalized leases		23,124	34,174
		5,150,319	4,886,048
Less accumulated depreciation and amortization (including accumulated amortization of capitalized leases of $15,559 and $22,334)		3,146,943	2,961,065
		2,003,376	1,924,983
Construction in progress		161,015	115,093
Property, plant, and equipment, net	$	2,164,391	2,040,076

As of December 31, 2018, the Corporation had committed $133,090 to complete significant construction projects. The commitments include the costs to complete renovation and expansion projects at various affiliates of the Corporation.

(In thousands)

(9) Long Term Debt

Long term debt consists of the following:

	December 31 2018	December 31 2017
Master Trust Indebtedness:		
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Revenue and Refunding Bonds:		
RWJBarnabas Health Obligated Group Issue, Series 2017A (previously Children's Specialized Hospital Issue, Series 2013A) maturing on July 1, 2036 with an interest rate of 3.03%	$ 8,575	8,880
RWJBarnabas Health Obligated Group Issue, Series 2017B (variable rate) (previously Children's Specialized Hospital Issue, Series 2013B) maturing on July 1, 2036 with an interest rate of 2.94% and 2.20% at December 31, 2018 and 2017	4,438	4,591
RWJBarnabas Health Obligated Group Issue, Series 2016A $399,565 serial bonds maturing through July 1, 2036 with interest rates ranging from 3.50% to 5.00%; $279,570 of term bonds maturing July 1, 2043 with interest rates ranging from 4.00% to 5.00%	679,135	679,135
Barnabas Health Issue, Series 2014A term bonds $100,000 maturing July 1, 2044 with an interest rate of 5.00%; $29,925 maturing July 1, 2044 with an interest rate of 4.25%	129,925	129,925
Robert Wood Johnson University Hospital Issue, Series 2014A $11,075 serial bonds maturing through 2034 with an interest rate of 5.00%; $45,210 term bonds maturing from 2039 to 2043 with an interest rate of 5.00%	55,925	55,925
Robert Wood Johnson University Hospital Issue, Series 2014B (Variable Rate) maturing on July 1, 2043 bearing interest at a weekly rate, 1.70% and 1.62% at December 31, 2018 and 2017, respectively, secured by a direct pay letter of credit (see (a))	30,000	30,000
Robert Wood Johnson University Hospital Issue, Series 2013A $11,270 serial bonds maturing through 2023 with interest rates ranging from 3.00% to 5.00%; $93,285 term bonds maturing from 2028 to 2043 with interest rates ranging from 5.25% to 5.50%	104,555	106,495

(Continued)

(In thousands)

		December 31	
		2018	2017
Barnabas Health Issue, Series 2012A serial bonds maturing through 2026 with interest rates ranging from 4.00% to 5.00%	$	90,250	94,195
Barnabas Health Issue, Series 2011B (Variable Rate) term bonds maturing through July 1, 2038, bearing interest at a weekly rate 1.70% and 1.62% at December 31, 2018 and 2017, secured by an irrevocable direct pay letter of credit (see (b))		20,810	24,510
Robert Wood Johnson Health Care Corp. at Hamilton Obligated Group Issue, Series 2002 (Variable Rate) maturing on July 1, 2032, initially bearing interest at a weekly rate, 0.70% at December 31, 2016, secured by an irrevocable direct pay letter of credit (see (c))		17,550	18,710
RWJBarnabas Health Private Placement Taxable Notes, Series 2018 $300,000 maturing through July 1, 2044 with interest rates ranging from 4.04% to 4.40%		300,000	—
RWJBarnabas Health Taxable Revenue Bonds, Series 2016 $100,000 maturing July 1, 2026 with an interest rate of 2.954%; $394,952 maturing July 1, 2046 with an interest rate of 3.949%		494,952	494,952
Barnabas Health System Taxable Revenue Bonds, Series 2012 term bonds maturing on July 1, 2028 with an interest rate of 4.00%		81,240	81,240
Total Master Trust Indebtedness		2,017,355	1,728,558
Capital leases with various interest rates		8,133	12,306
Total long-term debt		2,025,488	1,740,864
Plus unamortized bond premium		88,636	95,062
Less:			
Unamortized bond discount		1,809	2,024
Deferred finance costs, net		14,592	13,704
Current portion		8,442	16,701
Long-term portion	$	2,089,281	1,803,497

Under the terms of the Master Trust Indenture (MTI), Barnabas Health, Inc., Children’s Specialized Hospital, 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. During 2018, Robert Wood Johnson Health Care Corp. and RWJ Health Care Corp. at Hamilton, which were previously members of the Obligated Group, were dissolved. There were no assets or liabilities at the time of dissolution. 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.

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

On February 1, 2017, the Corporation completed the process to unify the security agreements for all of its outstanding indebtedness through a bond exchange for the Children's Specialized Hospital Series 2013A and Series 2013B (Series 2013). The exchange replaced the outstanding principal of Series 2013 with the RWJ Barnabas Health Obligated Group Issue, Series 2017A and Series 2017B bonds. There was no gain or loss recorded on the transaction.

On December 18, 2018, the Corporation completed a $300 million private taxable note offering under the MTI to a consortium of purchasers. The transaction was structured in four bullet maturity tranches of promissory notes: $70,000 maturing July 1, 2029 with an interest rate of 4.04%, $100,000 maturing July 1, 2034 with an interest rate of 4.17%, $60,000 maturing July 1, 2039 with an interest rate of 4.31%, and $70,000 maturing July 1, 2044 with an interest rate of 4.40%. The proceeds are to be used for general corporate purposes.

The Corporation also has credit arrangements as follows:

(a) An irrevocable direct pay letter of credit (LOC) with TD Bank that provides liquidity support for the Series 2014B bonds. If RWJUH were to draw on the letter of credit, the amounts would be payable at the expiration date, which is April 1, 2020.

(b) An Irrevocable direct pay LOC with JPMorgan that provides liquidity support for the Series 2011B bonds. Series 2011B, while subject to long term amortization periods, may be put to the Corporation at the option of the bondholders. At such point, JPMorgan would advance funds on behalf of the Corporation to the bondholders under the direct pay LOC, which expires on April 1, 2020. If the Corporation were to draw upon the LOC, the amounts would be payable in equal quarterly installments over one year from the date of the initial draw.

(In thousands)

(c) An irrevocable direct pay LOC with TD Bank that provides liquidity support for the Series 2002 bonds. If Hamilton Hospital were to draw on the letter of credit, the amounts would be payable at the expiration date, which is April 1, 2020.

(d) On September 1, 2017, the Corporation entered into a secured $60 million revolving credit facility with JP Morgan. The two year facility will be used for general corporate purposes and included a $15 million sublimit for letters of credit, of which $11,050 was used to support the Corporation's self-insured workers' compensation programs. Effective September 30, 2018, the credit facility was reduced to $35 million and the sublimit for letters of credit was reduced to $10 million. There were no amounts outstanding at December 31, 2018 and 2017. The amounts would be payable at the expiration date, which is April 1, 2020.

Scheduled maturities on long term debt and future minimum payments on capital lease obligations at December 31, 2018 are as follows:

	Long-term debt	Capital leases	Total
2019	$ 4,953	3,846	8,799
2020	4,697	3,184	7,881
2021	5,279	1,376	6,655
2022	23,006	394	23,400
2023	27,565	—	27,565
Thereafter	1,951,855	—	1,951,855
Total	2,017,355	8,800	2,026,155
Add:			
Unamortized bond premium	88,636	—	88,636
Less:			
Amount representing interest on capital lease obligations	—	667	667
Unamortized bond discount	1,809	—	1,809
Deferred finance costs, net	14,592	—	14,592
Current portion	4,953	3,489	8,442
Long-term portion	$ 2,084,637	4,644	2,089,281

(10) Employee Benefit Plans

Prior to December 31, 2017, the Corporation maintained the following noncontributory defined-benefit plans, which covered substantially all employees of the Corporation: Barnabas Health Retirement Income Plan, Jersey City Medical Center Pension Plan, Greenville Hospital Pension Plan, Employees' Retirement Plan of Robert Wood Johnson University Hospital Rahway, and the Somerset Medical Center Pension Plan (collectively referred to as the Pension Plans). The Corporation has effectively merged the Pension Plans into a single noncontributory defined benefit plan, the RWJBarnabas Health Retirement Income Plan (the RWJBH Plan) as of December 31, 2017.

(In thousands)

Participation in the RWJBH Plan is closed to new entrants and is currently frozen to future benefit accruals. Benefits under the RWJBH Plan are substantially based on years of service and employee's career earnings. The Corporation will contribute to the RWJBH Plan based on actuarially determined amounts necessary to provide assets sufficient to meet anticipated benefit payments to plan participants and to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, and Internal Revenue Service regulations.

During 2018 and 2017, the Society of Actuaries published updated mortality table MP-2018 and MP-2017. The Corporation utilized the updated mortality tables resulting in decreases in projected benefit obligations in the amount of $2,200 and $7,000, respectively for the years ended December 31, 2018 and 2017.

GAAP requires recognition on the balance sheet of the funded status of defined-benefit pension plans and the recognition in net assets without donor restrictions of unrecognized actuarial gains and losses and prior service costs and credits. The funded status is measured as the difference between the fair value of the RWJBH Plan's assets and the projected benefit obligation of the RWJBH Plan.

Included in net assets without donor restriction at December 31, 2018 and 2017 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service cost of approximately $2,800 and $2,900, respectively, and unrecognized actuarial losses of approximately $302,200 and $282,800, respectively. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Using the measurement date of December 31, the following table sets forth the funded status of the RWJBH Plan and the amounts recognized in the Corporation's consolidated financial statements:

	December 31	
	2018	**2017**
Changes in benefit obligation:		
Benefit obligation at beginning of period	$ 1,073,626	1,058,874
Interest cost	41,672	45,883
Actuarial (gains) losses	(48,628)	30,672
Plan change	—	2,908
Benefits paid and expenses	(62,242)	(64,711)
Benefit obligation at end of year	1,004,428	1,073,626

(In thousands)

	December 31	
	2018	2017
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 994,550	943,701
Actual return on plan assets	(32,900)	100,496
Employer contributions	27,000	15,064
Benefits paid and expenses	(62,242)	(64,711)
Fair value of plan assets at end of year	926,408	994,550
Funded status – accrued pension liability	$ (78,020)	(79,076)

The Corporation intends to contribute $7,000 to the RWJBH Plan during 2019.

The actuarially computed net periodic pension cost for the years ended December 31, 2018 and 2017 included the following components, which are included in other nonoperating revenue, net:

	2018	2017
Interest costs	$ 41,672	45,883
Expected return on plan assets	(42,417)	(42,759)
Amortization of actuarial loss	7,458	8,361
Net periodic pension cost	$ 6,713	11,485

The projected unit credit method is the actuarial cost method used to compute pension expense.

The weighted average assumptions used in determining the net periodic pension cost were a discount rate of 3.99% and an expected long-term rate of return on plan assets of 4.30%.

The weighted average assumption used in the accounting for the projected benefit obligation was a discount rate of 4.54%.

Expected benefit payments by year as of December 31, 2018 are as follows:

2019	$ 64,299
2020	66,403
2021	69,861
2022	72,225
2023	73,305
2024–2028	342,923

(Continued)

(In thousands)

Effective December 31, 2017, the assets of the Pension Plans were also merged. The consolidated 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 at December 31, 2018 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 following tables present the Corporation's fair value hierarchy for those pension plan assets measured at fair value as of December 31, 2018 and 2017. At December 31, 2018 and 2017, the Corporation held no Level 3 assets.

	December 31, 2018				
	Fair value	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 19,576	19,576	—	—	—
Corporate bonds	336,879	—	336,879	—	—
Government bonds	137,213	—	137,213	—	—
Bond funds	269,925	—	269,925	—	—
Bank loans	31,851	—	31,851	—	—
Other investments	466	—	466	—	—
Alternative investments	130,498	—	—	—	130,498
	$ 926,408	19,576	776,334	—	130,498

	December 31, 2017				
	Fair value	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 271,475	271,475	—	—	—
Corporate bonds	286,327	—	286,327	—	—
Government bonds	81,315	—	81,315	—	—
Bond funds	202,251	—	202,251	—	—
Bank loans	28,334	—	28,334	—	—
Asset-backed securities	5,866	—	5,866	—	—
Other investments	9,823	229	9,594	—	—
Alternative investments	109,159	—	—	—	109,159
	$ 994,550	271,704	613,687	—	109,159

There were no transfers among Levels 1, 2, and 3 during the years ended December 31, 2018 and 2017.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Alternative investments include private equity investments, hedge funds, and other.

(In thousands)

The following tables summarize redemption and commitment terms for the alternative investment vehicles held in the RWJBH Plan at December 31, 2018 and 2017:

		2018		
Description of investment		**Carrying value**	**Unfunded commitment**	**Redemption frequency**
Hedge fund	$	46,856	—	Semi-annually
Private equity		45,330	35,031	—
Other		38,312	—	—

		2017		
Description of investment		**Carrying value**	**Unfunded commitment**	**Redemption frequency**
Hedge fund	$	36,269	—	Semi-annually
Private equity		37,545	43,457	—
Other		35,345	—	—

The Corporation maintains multiple defined contribution retirement plans for their employees. Benefit expense for these plans for the years ended December 31, 2018 and 2017 was $73,388 and $70,507, respectively. The Corporation also has several supplemental executive retirement plans for certain key individuals. The plans were funded during 2018 and 2017 based upon the benefit formula as outlined in the plan documents.

At December 31, 2018 and 2017, the Corporation participates in two multi-employer pension plans established under collective bargaining agreements that cover certain groups of employees at certain affiliates, as outlined in the table below. These groups of employees are not eligible to participate in certain benefit plans sponsored by the Corporation. The “EIN/Pension Plan Number” column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available for Local 68 Engineers Union Pension Plan (Local 68 Plan) was June 30, 2018 and for District 1199J – New Jersey Healthcare Employers Pension Plan (District 1199J Plan) was December 31, 2017. The zone status is based on information received by the plan sponsors and, as required by PPA, is certified by each plan’s actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The “FIP/RP Status Pending Implemented” column indicates plans for which a funding improvement plan (FIP) or rehabilitation plan (RP), as required by PPA, is either pending or has been implemented by the plan’s sponsor. The last column of the table lists the expiration dates of the collective bargaining agreements requiring contributions to the plans. RWJ Barnabas Health’s contributions to the Local 68 Engineers Plan for the year ended June 30, 2017 and to the District 1199J Plan for the year ended December 31, 2016 represented 2.08% and 40.95%, respectively, of the total contributions to each plan.

(In thousands)

Participants in the Local 68 Plan and District 1199J Plan changed by (3.9)% and 1.5%, respectively, from December 31, 2017 to December 31, 2018.

At the date the consolidated financial statements were issued, Forms 5500 were not available beyond the year ended June 30, 2017 for Local 68 Plan and December 31, 2017 for the 1199J Plan, as follows:

Pension fund	EIN/Pension plan number	Pension protection act zone status	FIP/RP status pending/ implemented	Contributions of RWJBH	Surcharge paid as of 12/31/17	Expiration date of collective-bargaining agreement
Local 68 Engineers Union Pension Plan	51-0176618-001	As of 6/30/2017 Yellow	Yes	$ 394	N/A	3/20/2020
District 1199J-New Jersey Healthcare Employers Pension Plan	22-3095464-001	As of 12/31/2017 Green	No	3,438	N/A	6/30/2020

The audited financial statements as of June 30, 2017 for the Local 68 Plan indicated that due to their endangered status (yellow zone), a funding improvement plan was required and was adopted on May 17, 2017. The funding improvement plan is projected to increase annual employer contributions beginning September 1, 2017 through September 1, 2019.

Although the audited financial statements were not available beyond the RWJBH Plan year ended December 31, 2017 for the District 1199J Plan, as of March 27, 2018 the plan actuary certified that the RWJBH Plan is in critical status for the Plan year beginning January 1, 2018. The plan is required to adopt a rehabilitation plan aimed at restoring the financial health of the plan through benefit reductions and surcharge payments made by plan sponsors. The plan went into effect on April 25, 2018.

RWJUH had participated in the PACE Industry Union – Management Pension Fund (the Union Benefit Plan), which is a multiemployer benefit program.

RWJUH terminated its participation in the Union Benefit Plan and based on the Union Benefit Plan's actuarial calculation, RWJUH was assessed an estimated allocable share of the unfunded vested benefits. Payments began on April 1, 2018 and will continue for a period of 20 years. At December 31, 2018 and 2017, RWJUH has recorded the present value of the estimated withdrawal liability of $52,230 and $53,419, respectively, of which $1,994 and $1,586 is recorded in other current liabilities and $50,236 and $51,833 is recorded in other long-term liabilities, respectively. The unfunded liability has not been finalized as of December 31, 2018.

(11) Commitments and Contingencies

(a) Professional and General Liabilities

Commercial Professional Insurance Co. Ltd. (CPIC) is an off-shore captive insurance company located in Bermuda, which writes professional liability, comprehensive general liability, and other casualty lines of business for the Corporation and its affiliates. CPIC is a wholly owned subsidiary of SBMC and is consolidated in the accompanying consolidated financial statements. Investments and other assets maintained by CPIC are reported in assets limited as to use under externally designated or restricted assets in the consolidated balance sheets. The Corporation has estimated a range of losses for its potential liability for professional liability, comprehensive general liability, and other casualty lines of business related to CPIC based upon its own past experience and industry experience data. These estimates include reserves for unreported incidents and losses not covered by current insurance limits on a present value basis.

CPIC provides payment of claims on a reimbursement basis for the Corporation's self-insurance program, which has limits of $1 million for each and every professional liability claim at Children's Specialized Hospital and for all other facilities these limits are $7 million for each and every professional liability claim with an annual aggregate limit of $60 million and $1 million for each and every general liability occurrence. In addition, for the policy years beginning July 1, 2003 through June 30, 2018, the Corporation purchased excess coverage of $150 million from various carriers for amounts in excess of the Corporation's and CPIC's retained limits. Effective July 1, 2018, the Corporation purchased the excess coverage of $150 million from CPIC who, in turn, reinsured the excess coverage from various carriers.

Prior to December 31, 2016, certain affiliates of the Corporation were insured through Systems and Affiliated Members Limited (SAAML). Those affiliates shared the costs of certain administrative expenses as well as the premiums for certain layers of excess liability insurance where full coverage was purchased in the commercial market.

On December 31, 2016, those affiliates agreed to accept, in full satisfaction for all losses under the insurance agreements in effect, a commutation fee as consideration for the assumption of such liabilities as full and final settlement. CPIC extended coverage, effective December 31, 2016, for all existing SAAML policies that were commuted and terminated. CPIC's coverage insured each of those affiliates for the risks previously insured by SAAML. In February 2017, CPIC and SAAML finalized a merger, with CPIC as the surviving company. CPIC issued policies providing professional liability and comprehensive general liability coverage for self-insured retention for all the Corporation's entities under a combined insurance program.

For the period January 1, 2007 through November 1, 2018 CPIC reinsured 95% of the losses and expenses of Professional Quality Liability Insurance Company (ProQual), a Vermont Risk Retention Group. ProQual was initially capitalized by Barnabas Health, Inc. in December 2006 to provide professional liability insurance to physicians on staff at Monmouth Medical Center. The accounts of ProQual are included in the consolidated financial statements of the Corporation. ProQual ceased writing new policies in 2015 and operated in run-off status until dissolution on November 1, 2018.

Effective November 1, 2018, ProQual and the Corporation entered into an agreement whereby the Corporation accepted assignment of the rights and obligations of ProQual under the reinsurance agreement, including all endorsements thereto, with CPIC. CPIC as reinsurer, issued a policy endorsement amending the reinsurance limits from 95% to 100%.

The total accrued liability at December 31, 2018 and 2017 of approximately $249,966 and $235,700, respectively, which includes tail coverage, has been discounted at 2.5% and is included in self-insurance liabilities in the accompanying consolidated balance sheets. The accrual at December 31, 2018 and 2017 includes $18,841 and $18,022, respectively, of claims, which are expected to be reimbursed by the insurance carrier. Such amounts are included in other assets, net, in the accompanying consolidated balance sheets at December 31, 2018 and 2017.

(b) Workers' Compensation

The Corporation is self-insured for the majority of workers' compensation benefits. At December 31, 2018 and 2017, the accrual for estimated workers' compensation claims, discounted at 2.5%, includes estimates of the ultimate costs for both reported claims and claims incurred but not reported and totaled $48,735 and $47,350, respectively. The accrual at December 31, 2018 and 2017 includes claims of $11,064 and $13,826, respectively, which are expected to be reimbursed by the insurance carrier. Such amounts are included in other assets, net. The Corporation's obligation to pay workers' compensation benefits is secured by a LOC under the $35 million revolving credit facility in the amount of $10,000 at December 31, 2018.

(c) Employee Health Insurance

The Corporation maintains self-insured employee health benefit programs to provide coverage for its employees. At December 31, 2018 and 2017, the accrual for estimated employee health insurance claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported of approximately $21,670 and $18,057, respectively, and is included in self-insurance liabilities in the consolidated balance sheets.

(In thousands)

(d) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rent expense was approximately $69,000 and $66,000 for the years ended December 31, 2018 and 2017, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

Period		Minimum lease payments	Sublease income	Net
2019	$	47,832	1,346	46,486
2020		39,047	1,204	37,843
2021		31,775	1,006	30,769
2022		25,038	681	24,357
2023		18,555	235	18,320
Thereafter		121,750	45	121,705
	$	283,997	4,517	279,480

(e) Litigation

Various investigations, lawsuits, and claims arising in the normal course of operations are pending or on appeal against the Corporation. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that the liabilities that may arise from such actions would not materially affect the consolidated financial position or results of operations of the Corporation.

(f) Grants and Loans

On October 30, 2018, the Corporation entered into a Subrecipient ERB Funding Agreement with the New Jersey Economic Development Authority (the Authority). The Authority has agreed to provide funding for the development of a new combined heat and power system on the campus of SBMC. The maximum project cost is $13,471 and will consist of a grant portion of $8,549 and loan proceeds of $4,309. Other project funding will consist of $613 from the PSEG Energy Efficiency Program. Repayment of the loans will commence six months after the project is completed. No loan or grant funds were drawn upon at December 31, 2018. During 2019, the Corporation plans to enter into additional agreements for similar projects amounting to approximately $36,000.

(g) Other

Approximately 24% of the Corporation’s employees were covered by collective bargaining agreements for the years ended December 31, 2018 and 2017; of which 14% expire in the next year.

(12) Endowment Funds Net Asset Classification

The Corporation's endowment funds consist of funds that have been established by the Corporation to provide funding for construction and equipment purchases, as well as funding for healthcare services and health education. The Corporation's endowment funds represent a component of the Corporation's total net assets without and with donor restrictions. These funds are invested by the Corporation. As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

(a) Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in net assets without donor restrictions as of year-end. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new donor restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. No material deficiencies existed at December 31, 2018 and 2017.

(b) Interpretation of Relevant Law

The Board of Trustees of the Corporation has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Corporation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment income earned on the accumulations to the restricted endowment funds is classified based on donor stipulations as net assets with donor restrictions until the donor-imposed restrictions have been met.

(c) Spending Policy

The Corporation spends earnings on donor-restricted endowment funds as expenses have been incurred that satisfy the donor-imposed restrictions.

(d) Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income and growth, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity. Under this policy, as approved by the Corporation's Board of Trustees, the endowment assets are invested in a manner that is intended to produce moderate to high rates of return while assuming a moderate to low level of investment risk.

(In thousands)

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	Without donor restrictions	With donor restrictions: Original gift	With donor restrictions: Accumulated gains	Total
Endowment net assets, beginning of year, January 1, 2017	$ 1,000	30,339	8,809	40,148
Investment return, net	88	—	1,734	1,822
Contributions	—	44	—	44
Change in interest in perpetual trust	—	3,111	—	3,111
Appropriation of endowment assets for expenditure	(88)	—	(727)	(815)
Endowment net assets, end of year, December 31, 2017	1,000	33,494	9,816	44,310
Investment return, net	57	—	941	998
Contributions	—	1	—	1
Change in interest in perpetual trust	—	(130)	—	(130)
Net assets transferred	—	29	(1,181)	(1,152)
Appropriation of endowment assets for expenditure	(57)	—	(2,345)	(2,402)
Endowment net assets, end of year, December 31, 2018	$ 1,000	33,394	7,231	41,625

(13) Functional Expenses

The Corporation provides general healthcare services primarily to residents within its geographic area and supports research and educational programs. Expenses are allocated based on estimated time and effort contingent upon the location and/or specialty the expense was incurred.

(In thousands)

Expenses related to providing these services and supporting functions are as follows for the years ended December 31, 2018 and 2017:

	2018		
	Healthcare services	General and administrative	Total
Salaries and wages	$ 1,720,326	248,630	1,968,956
Physician fees and salaries	449,348	49,927	499,275
Employee benefits	358,793	53,613	412,406
Supplies	1,007,709	7,293	1,015,002
Other	719,122	223,143	942,265
Interest	58,582	12,596	71,178
Depreciation and amortization	201,632	25,435	227,067
Total	$ 4,515,512	620,637	5,136,149

	2017		
	Healthcare services	General and administrative	Total
Salaries and wages	$ 1,596,660	275,377	1,872,037
Physician fees and salaries	415,057	46,117	461,174
Employee benefits	318,296	60,628	378,924
Supplies	932,654	2,614	935,268
Other	683,707	212,192	895,899
Interest	52,723	11,597	64,320
Depreciation and amortization	189,131	21,403	210,534
Total	$ 4,188,228	629,928	4,818,156

(14) Investments in Joint Ventures

The Corporation has invested in a number of joint ventures to provide specialty healthcare services. These services include surgical, diagnostic imaging, home care and hospice, rehabilitation and fitness and wellness programs. The investments range from 25% to 51% ownership. The Corporation does not exercise operating control over these investments; accordingly they are recorded under the equity method of accounting and report only the Corporation’s share of net income attributable to the investee as equity in earnings of unconsolidated affiliates in the accompanying consolidated statements of operations. Financial information for the equity method investees for the years ended December 31, 2018 and 2017 includes net operating revenue of $438,114 and $407,209, net income of $97,513 and $76,654 and net income attributable to the Corporation of $35,304 and $26,652, respectively.

The Corporation invested $26,214 for the expansion of its ambulatory care division during 2018. The investment was used to open three additional surgical centers. Total investments in joint ventures amounted to $162,132 and $149,086 at December 31, 2018 and 2017, respectively. These amounts are included in other assets in the consolidated balance sheets.

(15) Partnership

Effective July 1, 2018, the Corporation, Rutgers, the State University of New Jersey (Rutgers) and Rutgers Health Group (RHG) entered into 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 will remain separate and distinct legal entities. The MAA will require 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 has been established for strategic planning and oversight featuring equal representation from the Corporation and Rutgers.

The Corporation will initially invest $100 million. During 2018, $50 million was paid with the remaining amount due by June 30, 2019. In connection with the initial investment, the Corporation recorded a nonoperating expense of $55,000 and 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.

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, as well as a new ambulatory care center, both in New Brunswick.

(16) Subsequent Events

Management evaluated all events and transactions that occurred after December 31, 2018 and through May 13, 2019. The Corporation did not have any material recognizable subsequent events during the period.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2018

(In thousands)

Assets	Barnabas Health, Inc.	Children's Specialized Hospital	Clara Maass Medical Center	Community Medical Center	Jersey City Medical Center	Monmouth Medical Center	Newark Beth Israel Medical Center	Robert Wood Johnson University Hospital
Current assets:								
Cash and cash equivalents	$ 626,484	2,054	8	9	18	23	605	1,768
Investments	26,662	—	—	—	—	—	—	—
Assets limited or restricted as to use	31,951	13	—	136	115	—	—	6,168
Patient accounts receivable	—	13,019	26,308	34,648	35,999	48,723	64,545	141,791
Due from affiliates	141,619	72,012	132,073	325,072	97,022	523,389	297,376	818,003
Estimated amounts due from third party payors, net	—	—	—	—	2,604	1,506	—	—
Other current assets	38,808	8,734	6,714	10,501	13,188	21,569	26,851	41,898
Total current assets	865,524	95,832	165,103	370,366	148,946	595,210	389,377	1,009,628
Assets limited or restricted as to use, noncurrent portion:	157	4,050	1,695	3,669	2,161	4,125	21,736	9,053
Investments	3,104,197	314	—	—	—	—	4,191	(654)
Property, plant and equipment, net	99,454	63,531	124,740	139,317	254,358	128,422	107,581	640,465
Due from affiliates	14,120	—	—	—	—	—	—	—
Other assets, net	320,384	28,702	1,102	8,738	5,585	42,847	30	69,630
	4,403,836	192,429	292,640	522,090	411,050	770,604	522,915	1,728,122
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	74,460	2,684	11,817	13,920	14,622	19,848	25,808	66,096
Accrued expenses and other current liabilities	134,339	18,870	30,552	30,388	28,657	52,928	71,881	146,039
Estimated amounts due to third-party payors, net	642	337	349	1,270	—	—	253	8,865
Long-term debt and notes payable	376	936	74	68	132	848	218	2,834
Due to affiliates	3,980,566	102	1,613	247	—	141,056	4	354
Self-insurance liabilities	29,401	—	—	—	—	—	—	—
Total current liabilities	4,219,784	22,929	44,405	45,893	43,411	214,680	98,164	224,188
Estimated amounts due to third-party payors, net of current portion	—	—	1,594	1,634	5,189	2,436	7,691	10,054
Self-insurance liabilities, net of current portion	99,410	—	—	—	—	—	—	—
Long-term debt, less current portion	196,916	36,763	112,047	71,422	178,707	220,358	197,543	502,367
Accrued pension liability	78,020	—	—	—	—	—	—	—
Other liabilities	3,863	4,144	17,233	4,260	4,904	4,554	12,546	61,444
Due to affiliates	—	—	—	—	—	—	—	—
Total liabilities	4,597,993	63,836	175,279	123,209	232,211	442,028	315,944	798,053
Net assets (deficit)	(194,157)	128,593	117,361	398,881	178,839	328,576	206,971	930,069
Total liabilities and net assets	$ 4,403,836	192,429	292,640	522,090	411,050	770,604	522,915	1,728,122

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2018

(In thousands)

Assets	Robert Wood Johnson University Hospital at Hamilton	Robert Wood Johnson University Hospital Rahway	Saint Barnabas Medical Center	Consolidating entries and eliminations	Total obligated group	Other entities	Consolidating entries and eliminations	Consolidated balance
Current assets:								
Cash and cash equivalents	$ 79	598	871	—	632,517	(292,022)	—	340,495
Investments	—	—	—	—	26,662	—	—	26,662
Assets limited or restricted as to use	222	234	—	—	38,839	18,483	—	57,322
Patient accounts receivable	15,211	10,533	86,791	—	477,568	30,288	—	507,856
Due from affiliates	107,794	66,699	1,083,350	(3,662,530)	1,879	781,484	(783,363)	—
Estimated amounts due from third party payors, net	—	—	2,893	(7,003)	—	—	—	—
Other current assets	5,703	5,027	23,385	—	202,378	21,564	(22,278)	201,664
Total current assets	129,009	83,091	1,197,290	(3,669,533)	1,379,843	559,797	(805,641)	1,133,999
Assets limited or restricted as to use, noncurrent portion:	1,247	2,253	37,596	—	87,742	152,400	—	240,142
Investments	291	9	5,890	—	3,114,238	33,667	—	3,147,905
Property, plant and equipment, net	95,818	27,736	360,352	—	2,041,774	122,617	—	2,164,391
Due from affiliates	—	—	—	—	14,120	33,581	(47,701)	—
Other assets, net	3,033	871	5,830	(137,689)	349,063	91,672	(159,859)	280,876
	$ 229,398	113,960	1,606,958	(3,807,222)	6,986,780	993,734	(1,013,201)	6,967,313
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 10,891	8,304	39,816	—	288,266	19,966	—	308,232
Accrued expenses and other current liabilities	13,878	12,259	67,691	—	607,482	96,212	(18,859)	684,835
Estimated amounts due to third-party payors, net	1,471	25	—	(7,003)	6,209	159	—	6,368
Long-term debt and notes payable	1,375	32	3,198	—	10,091	464	(2,113)	8,442
Due to affiliates	—	2	28	(3,662,529)	461,443	321,921	(783,364)	—
Self-insurance liabilities	—	—	—	—	29,401	36,184	—	65,585
Total current liabilities	27,615	20,622	110,733	(3,669,532)	1,402,892	474,906	(804,336)	1,073,462
Estimated amounts due to third-party payors, net of current portion	2,613	8,278	2,222	—	41,711	—	—	41,711
Self-insurance liabilities, net of current portion	—	—	—	—	99,410	155,376	—	254,786
Long-term debt, net of current portion	115,401	10,885	385,797	—	2,028,206	82,848	(21,773)	2,089,281
Accrued pension liability	—	—	—	—	78,020	—	—	78,020
Other liabilities	2,018	724	6,987	(12,690)	109,987	59,464	—	169,451
Due to affiliates	—	—	33,581		33,581	14,120	(47,701)	—
Total liabilities	147,647	40,509	539,320	(3,682,222)	3,793,807	786,714	(873,810)	3,706,711
Net assets	81,751	73,451	1,067,638	(125,000)	3,192,973	207,020	(139,391)	3,260,602
Total liabilities and net assets	$ 229,398	113,960	1,606,958	(3,807,222)	6,986,780	993,734	(1,013,201)	6,967,313

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2017

(In thousands)

Assets	Barnabas Health, Inc.	Children's Specialized Hospital	Clara Maass Medical Center	Community Medical Center	Jersey City Medical Center	Monmouth Medical Center	Newark Beth Israel Medical Center	Robert Wood Johnson Health Care Corp.	Robert Wood Johnson University Hospital
Current assets:									
Cash and cash equivalents	$ 292,579	5,285	12	9	99	31	900	—	12,675
Investments	37,315	—	—	—	—	—	—	—	—
Assets limited or restricted as to use	40,758	198	—	—	—	—	—	—	6,820
Patient accounts receivable, net	—	13,601	26,920	35,448	37,056	48,691	52,729	—	153,071
Due from affiliates	147,674	57,162	132,108	294,631	79,427	317,757	280,821	—	713,495
Estimated amounts due from third party payors, net	—	—	—	—	1,019	2,723	—	—	—
Other current assets	21,186	7,773	5,269	7,916	12,479	16,865	24,154	—	33,698
Total current assets	539,512	84,019	164,309	338,004	130,080	386,067	358,604	—	919,759
Assets limited or restricted as to use, noncurrent portion:	40,212	1,928	1,533	3,265	1,967	3,803	20,144	—	35,616
Investments	3,159,744	589	—	—	—	—	4,192	—	—
Property, plant and equipment, net	69,204	67,538	99,928	142,882	257,092	120,826	100,101	—	606,647
Due from affiliates	14,120	—	—	—	—	—	—	—	—
Other assets, net	196,521	29,661	1,111	8,620	7,167	33,668	—	—	74,538
	$ 4,019,313	183,735	266,881	492,771	396,306	544,364	483,041	—	1,636,560
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	$ 61,352	2,352	11,091	12,636	17,623	18,940	29,973	—	64,196
Accrued expenses and other current liabilities	49,546	16,428	35,773	35,028	36,882	52,315	77,684	—	149,287
Estimated amounts due to third-party payors, net	642	792	37	965	—	—	954	—	10,815
Long-term debt and notes payable	3,470	884	553	236	337	1,995	1,504	—	2,557
Due to affiliates	3,519,433	—	—	—	3,837	—	8	—	320
Self-insurance liabilities	25,364	—	—	—	—	—	—	—	—
Total current liabilities	3,659,807	20,456	47,454	48,865	58,679	73,250	110,123	—	227,175
Estimated amounts due to third-party payors, net of current portion	—	—	2,467	1,934	6,355	3,522	9,266	—	12,665
Self-insurance liabilities, net of current portion	95,389	—	—	—	—	—	—	—	—
Long-term debt, less current portion	197,704	37,730	83,790	58,507	161,622	187,675	166,676	—	400,382
Accrued pension liability	79,076	—	—	—	—	—	—	—	—
Other liabilities	50,314	2,054	19,058	4,058	5,024	4,294	10,476	—	61,401
Due to affiliates	—	—	—	—	—	—	—	—	—
Total liabilities	4,082,290	60,240	152,769	113,364	231,680	268,741	296,541	—	701,623
Net assets (deficit)	(62,977)	123,495	114,112	379,407	164,626	275,623	186,500	—	934,937
Total liabilities and net assets	$ 4,019,313	183,735	266,881	492,771	396,306	544,364	483,041	—	1,636,560

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2017

(In thousands)

Assets	**Robert Wood Johnson University Hospital at Hamilton**	**Robert Wood Johnson University Hospital Rahway**	**Robert Wood Johnson Health Care Corp. at Hamilton**	**Saint Barnabas Medical Center**	**Consolidating entries and eliminations**	**Total obligated group**	**Other entities**	**Consolidating entries and eliminations**	**Consolidated balance**
Current assets:									
Cash and cash equivalents	$ 1,222	1,490	—	179	—	314,481	(228,695)	—	85,786
Investments	—	—	—	—	—	37,315	—	—	37,315
Assets limited or restricted as to use	202	—	—	—	—	47,978	17,361	—	65,339
Patient accounts receivable, net	14,923	9,374	—	80,827	—	472,640	27,737	—	500,377
Due from affiliates	89,216	56,276	—	1,014,682	(3,174,401)	8,848	656,827	(665,675)	—
Estimated amounts due from third party payors, net	—	—	—	2,681	(6,423)	—	—	—	—
Other current assets	5,299	4,474	—	19,013	—	158,126	17,431	(1,318)	174,239
Total current assets	110,862	71,614	—	1,117,382	(3,180,824)	1,039,388	490,661	(666,993)	863,056
Assets limited or restricted as to use, noncurrent portion:	1,335	341	—	38,285	—	148,429	90,591	—	239,020
Investments	408	—	—	5,677	—	3,170,610	35,550	—	3,206,160
Property, plant and equipment, net	88,745	28,557	—	344,957	—	1,926,477	113,599	—	2,040,076
Due from affiliates	—	114	—	—	—	14,234	33,581	(47,815)	—
Other assets, net	2,391	3,102	—	5,801	(142,931)	219,649	166,456	(152,506)	233,599
	$ 203,741	103,728	—	1,512,102	(3,323,755)	6,518,787	930,438	(867,314)	6,581,911
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	$ 12,147	5,547	—	36,256	—	272,113	21,241	—	293,354
Accrued expenses and other current liabilities	12,994	12,639	—	81,072	—	559,648	69,980	1,954	631,582
Estimated amounts due to third-party payors, net	1,186	638	—	—	(6,422)	9,607	26	—	9,633
Long-term debt and notes payable	1,302	—	—	4,066	—	16,904	1,765	(1,968)	16,701
Due to affiliates	—	—	—	24	(3,174,401)	349,221	316,455	(665,676)	—
Self-insurance liabilities	—	—	—	—	—	25,364	39,921	—	65,285
Total current liabilities	27,629	18,824	—	121,418	(3,180,823)	1,232,857	449,388	(665,690)	1,016,555
Estimated amounts due to third-party payors, net of current portion	3,109	7,459	—	1,794	—	48,571	—	—	48,571
Self-insurance liabilities, net of current portion	—	—	—	—	—	95,389	140,433	—	235,822
Long-term debt, less current portion	92,824	8,686	—	348,475	—	1,744,071	83,312	(23,886)	1,803,497
Accrued pension liability	—	—	—	—	—	79,076	—	—	79,076
Other liabilities	1,424	748	—	6,806	(17,932)	147,725	11,382	—	159,107
Due to affiliates	—	—	—	33,581		33,581	14,234	(47,815)	—
Total liabilities	124,986	35,717	—	512,074	(3,198,755)	3,381,270	698,749	(737,391)	3,342,628
Net assets	78,755	68,011	—	1,000,028	(125,000)	3,137,517	231,689	(129,923)	3,239,283
Total liabilities and net assets	$ 203,741	103,728	—	1,512,102	(3,323,755)	6,518,787	930,438	(867,314)	6,581,911

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2018

(In thousands)

	Barnabas Health, Inc.	Children's Specialized Hospital	Clara Maass Medical Center	Community Medical Center	Jersey City Medical Center	Monmouth Medical Center	Newark Beth Israel Medical Center	Robert Wood Johnson University Hospital
Revenue:								
Net patient service revenue	$ (1,400)	126,042	267,987	388,094	383,706	529,876	600,716	1,308,207
Other revenue, net	731,431	20,507	4,620	3,587	18,789	17,000	44,766	28,857
Total revenue	730,031	146,549	272,607	391,681	402,495	546,876	645,482	1,337,064
Expenses:								
Salaries and wages	126,036	74,324	109,322	140,586	154,049	178,210	209,447	464,712
Physician fees and salaries	15,885	11,373	12,736	19,688	37,201	43,962	76,505	130,229
Employee benefits	289,020	17,915	26,913	28,715	28,627	32,821	56,991	80,298
Supplies	2,691	4,298	42,439	72,385	60,972	96,266	121,561	310,193
Other	252,068	24,718	63,995	94,101	84,068	125,016	139,110	265,744
Interest	9,610	1,484	3,125	2,196	7,132	7,038	6,273	16,442
Depreciation and amortization	19,809	7,974	9,957	13,433	16,335	18,997	15,142	69,676
Total expenses	715,119	142,086	268,487	371,104	388,384	502,310	625,029	1,337,294
Income (loss) from operations	14,912	4,463	4,120	20,577	14,111	44,566	20,453	(230)
Nonoperating (expenses) revenue, net:								
Investment (loss) income, net	(135,493)	(13)	—	—	—	—	21	(4)
Other, net	(54,481)	—	(482)	(1,036)	(536)	(838)	(1,077)	233
Total nonoperating (expenses) revenue, net	(189,974)	(13)	(482)	(1,036)	(536)	(838)	(1,056)	229
Excess (deficiency) of revenue over expenses	(175,062)	4,450	3,638	19,541	13,575	43,728	19,397	(1)
Net change in unrealized (losses) gains on available for sale investments	—	—	—	—	—	—	(2)	(909)
Pension changes other than net periodic benefit cost	(19,231)	—	—	—	—	—	—	—
Net assets released from restriction for purchases of property and equipment	—	1,591	75	221	343	466	263	1,846
Net assets transferred	59,919	—	—	—	—	—	—	—
Other, net	3,194	—	(440)	(379)	(667)	(389)	284	(3,975)
Total other changes in net assets	43,882	1,591	(365)	(158)	(324)	77	545	(3,038)
Increase (decrease) in net assets without donor restrictions	(131,180)	6,041	3,273	19,383	13,251	43,805	19,942	(3,039)
Change in net assets with donor restrictions	—	(943)	(24)	91	962	9,148	529	(1,829)
Net assets (deficit), beginning of year	(62,977)	123,495	114,112	379,407	164,626	275,623	186,500	934,937
Net assets (deficit), end of year	$ (194,157)	128,593	117,361	398,881	178,839	328,576	206,971	930,069

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2018

(In thousands)

	Robert Wood Johnson University Hospital at Hamilton	Robert Wood Johnson University Hospital Rahway	Saint Barnabas Medical Center	Consolidating entries and eliminations	Total obligated group	Other entities	Consolidating entries and eliminations	Consolidated balance
Revenue:								
Net patient service revenue	$ 190,439	113,082	852,123	—	4,758,872	341,353	—	5,100,225
Other revenue, net	1,891	6,088	21,267	(728,628)	170,175	302,815	(221,907)	251,083
Total revenue	192,330	119,170	873,390	(728,628)	4,929,047	644,168	(221,907)	5,351,308
Expenses:								
Salaries and wages	63,658	46,671	242,645	—	1,809,660	159,296	—	1,968,956
Physician fees and salaries	13,576	7,547	76,929	—	445,631	162,171	(108,527)	499,275
Employee benefits	11,090	8,396	52,665	(248,218)	385,233	47,140	(19,967)	412,406
Supplies	41,988	19,489	182,196	—	954,478	73,007	(12,483)	1,015,002
Other	47,653	26,706	213,515	(480,410)	856,284	164,846	(78,865)	942,265
Interest	3,041	337	13,577	—	70,255	2,988	(2,065)	71,178
Depreciation and amortization	9,303	5,163	30,355	—	216,144	10,923	—	227,067
Total expenses	190,309	114,309	811,882	(728,628)	4,737,685	620,371	(221,907)	5,136,149
Income (loss) from operations	2,021	4,861	61,508	—	191,362	23,797	—	215,159
Nonoperating (expenses) revenue, net:								
Investment (loss) income, net	(67)	17	61	—	(135,478)	2,849	—	(132,629)
Other, net	—	(455)	(947)	—	(59,619)	(621)	—	(60,240)
Total nonoperating (expenses) revenue, net	(67)	(438)	(886)	—	(195,097)	2,228	—	(192,869)
Excess (deficiency) of revenue over expenses	1,954	4,423	60,622	—	(3,735)	26,025	—	22,290
Net change in unrealized (losses) gains on available for sale investments	—	—	—	—	(911)	(108)	—	(1,019)
Pension changes other than net periodic benefit cost	—	—	—	—	(19,231)	—	—	(19,231)
Net assets released from restriction for purchases of property and equipment	—	—	7,763	—	12,568	236	—	12,804
Net assets transferred	—	—	—	—	59,919	(59,919)	—	—
Other, net	684	821	(4)	—	(871)	(8,932)	4,766	(5,037)
Total other changes in net assets	684	821	7,759	—	51,474	(68,723)	4,766	(12,483)
Increase (decrease) in net assets without donor restrictions	2,638	5,244	68,381	—	47,739	(42,698)	4,766	9,807
Change in net assets with donor restrictions	358	196	(771)	—	7,717	18,029	(14,234)	11,512
Net assets (deficit), beginning of year	78,755	68,011	1,000,028	(125,000)	3,137,517	231,689	(129,923)	3,239,283
Net assets (deficit), end of year	$ 81,751	73,451	1,067,638	(125,000)	3,192,973	207,020	(139,391)	3,260,602

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2017

(In thousands)

	Barnabas Health, Inc.	Children's Specialized Hospital	Clara Maass Medical Center	Community Medical Center	Jersey City Medical Center	Monmouth Medical Center	Newark Beth Israel Medical Center	Robert Wood Johnson Health Care Corp.	Robert Wood Johnson University Hospital
Revenue:									
Net patient service revenue	$ 4,250	120,074	254,380	377,721	365,050	511,715	580,577	—	1,226,780
Other revenue, net	620,665	21,803	3,617	2,976	20,055	18,046	39,490	—	22,865
Total revenue	624,915	141,877	257,997	380,697	385,105	529,761	620,067	—	1,249,645
Expenses:									
Salaries and wages	116,850	70,676	107,542	133,413	154,055	167,974	197,600	—	443,203
Physician fees and salaries	629	11,045	11,953	17,952	36,918	41,275	75,811	—	124,958
Employee benefits	251,087	14,846	24,034	28,634	27,518	33,622	50,746	—	76,114
Supplies	1,049	4,385	39,325	70,032	56,566	90,039	114,044	—	293,456
Other	233,553	22,909	59,784	87,684	77,859	117,392	126,421	—	241,289
Interest	6,881	1,538	3,088	2,175	7,121	7,000	6,238	—	16,555
Depreciation and amortization	14,866	8,570	8,818	12,784	15,604	18,237	14,180	—	68,077
Total expenses	624,915	133,969	254,544	352,674	375,641	475,539	585,040	—	1,263,652
Income (loss) from operations	—	7,908	3,453	28,023	9,464	54,222	35,027	—	(14,007)
Nonoperating revenue (expenses):									
Investment (loss) income, net	328,164	(1)	—	—	—	—	(60)	—	84
Other, net	(473)	—	(866)	(1,786)	(1,494)	(1,543)	(1,881)	—	(7,294)
Total nonoperating revenue (expenses), net	327,691	(1)	(866)	(1,786)	(1,494)	(1,543)	(1,941)	—	(7,210)
Excess (deficiency) of revenue over expenses	327,691	7,907	2,587	26,237	7,970	52,679	33,086	—	(21,217)
Net change in unrealized gains on available for sale investments	—	36	—	—	—	—	1	—	—
Pension changes other than net periodic benefit cost	31,479	—	—	—	1,360	—	—	—	(838)
Net assets released from restriction for purchases of property and equipment	—	1,096	141	—	70	320	1,322	—	5,907
Net assets transferred	—	—	—	—	—	—	5,234	—	—
Other, net	(65,334)	369	(228)	(391)	16,881	(21)	225	788	(43,680)
Total other changes in net assets	(33,855)	1,501	(87)	(391)	18,311	299	6,782	788	(38,611)
Increase (decrease) in net assets without donor restrictions	293,836	9,408	2,500	25,846	26,281	52,978	39,868	788	(59,828)
Change in net assets with donor restrictions	—	(324)	60	1,716	(2,755)	3,021	367	—	631
Net assets (deficit), beginning of year	(356,813)	114,411	111,552	351,845	141,100	219,624	146,265	(788)	994,134
Net assets (deficit), end of year	$ (62,977)	123,495	114,112	379,407	164,626	275,623	186,500	—	934,937

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2017

(In thousands)

	Robert Wood Johnson University Hospital at Hamilton	Robert Wood Johnson University Hospital Rahway	Robert Wood Johnson Health Care Corp. at Hamilton	Saint Barnabas Medical Center	Consolidating entries and eliminations	Total obligated group	Other entities	Consolidating entries and eliminations	Consolidated balance
Revenue:									
Net patient service revenue	$ 179,623	109,109	—	792,354	—	4,521,633	312,149	—	4,833,782
Other revenue, net	1,748	6,155	—	25,874	(642,046)	141,248	285,446	(188,316)	238,378
Total revenue	181,371	115,264	—	818,228	(642,046)	4,662,881	597,595	(188,316)	5,072,160
Expenses:									
Salaries and wages	62,269	46,157	—	223,924	—	1,723,663	148,374	—	1,872,037
Physician fees and salaries	14,867	6,137	—	70,381	—	411,926	141,105	(91,857)	461,174
Employee benefits	10,482	7,456	—	50,348	(226,792)	348,095	41,958	(11,129)	378,924
Supplies	38,559	18,856	—	154,065	—	880,376	58,991	(4,099)	935,268
Other	42,819	24,135	—	193,267	(415,254)	811,858	163,187	(79,146)	895,899
Interest	3,062	330	—	9,153	—	63,141	3,264	(2,085)	64,320
Depreciation and amortization	8,865	5,271	—	26,395	—	201,667	8,867	—	210,534
Total expenses	180,923	108,342	—	727,533	(642,046)	4,440,726	565,746	(188,316)	4,818,156
Income (loss) from operations	448	6,922	—	90,695	—	222,155	31,849	—	254,004
Nonoperating revenue (expenses):									
Investment income, net	21	(1)	—	841	—	329,048	6,034	—	335,082
Other, net	—	(439)	—	(1,611)	—	(17,387)	(688)	—	(18,075)
Total nonoperating revenue (expenses), net	21	(440)	—	(770)	—	311,661	5,346	—	317,007
Excess (deficiency) of revenue over expenses	469	6,482	—	89,925	—	533,816	37,195	—	571,011
Net change in unrealized gains on available for sale investments	—	—	—	—	—	37	343	—	380
Pension changes other than net periodic benefit cost	—	406	—	—	—	32,407	112	—	32,519
Net assets released from restriction for purchases of property and equipment	51	368	—	22,854	—	32,129	—	—	32,129
Net assets transferred	—	—	—	—	—	5,234	(5,234)	—	—
Other, net	1,510	16,518	(3,708)	667	2,234	(74,170)	86,263	(7,116)	4,977
Total other changes in net assets	1,561	17,292	(3,708)	23,521	2,234	(4,363)	81,484	(7,116)	70,005
Increase (decrease) in net assets without donor restrictions	2,030	23,774	(3,708)	113,446	2,234	529,453	118,679	(7,116)	641,016
Change in net assets with donor restrictions	704	(190)	—	10,488	—	13,718	(6,734)	10,200	17,184
Net assets (deficit), beginning of year	76,021	44,427	3,708	876,094	(127,234)	2,594,346	119,744	(133,007)	2,581,083
Net assets (deficit), end of year	$ 78,755	68,011	—	1,000,028	(125,000)	3,137,517	231,689	(129,923)	3,239,283

See accompanying independent auditors' report.