Secondary Market Disclosure Information

March 31, 2019

RWJ BARNABAS HEALTH, INC.

Consolidated Financial Statements and Supplementary Information as of March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and 2018

RWJ BARNABAS HEALTH, INC.
Secondary Market Disclosure Information
March 31, 2019

Summary of Obligations under the
Master Trust Indenture and Other Credit Arrangements

Obligations under the Master Trust Indenture

- Barnabas Health Issue, Series 2011B (Variable Rate)
- Barnabas Health System Taxable Revenue Bonds, Series 2012
- Barnabas Health Issue, Series 2012A
- Barnabas Health Issue, Series 2014A
- Robert Wood Johnson University Hospital Issue, Series 2013A
- Robert Wood Johnson University Hospital Issue, Series 2014A
- Robert Wood Johnson University Hospital Issue, Series 2014B (Variable Rate)
- Robert Wood Johnson Health Care Corp at Hamilton Obligated Group Issue, Series 2002 (Variable Rate)
- RWJ Barnabas Health Taxable Revenue Bonds, Series 2016
- RWJ Barnabas Health Obligated Group Issue, Series 2016A
- RWJ Barnabas Health Obligated Group Issue, Series 2017A
- RWJ Barnabas Health Obligated Group Issue, Series 2017B (Variable Rate)
- RWJ Barnabas Health Senior Secured Notes, Series A through D

Other Credit Arrangements

- Secured revolving credit facility with JP Morgan Chase Bank that includes a sublimit for letters of credit (the letter of credit for the self insured worker's compensation programs is included here)
- Irrevocable direct pay letter of credit with JP Morgan Chase Bank that provides liquidity support for the Series 2011B bonds
- Irrevocable direct pay letter of credit with TD Bank that provides liquidity support for the Series 2014B bonds
- Irrevocable direct pay letter of credit with TD Bank that provides liquidity support for the Series 2002 bonds

RWJ BARNABAS HEALTH, INC.

Secondary Market Disclosure Information

March 31, 2019

System Overview

Facility	Location	Licensed Beds
Acute Care Hospitals:		
Newark Beth Israel Medical Center	Newark	667 (1)
Community Medical Center	Toms River	617 (2)
Saint Barnabas Medical Center	Livingston	597
Robert Wood Johnson University Hospital, New Brunswick Camp	New Brunswick	599 (3)
Robert Wood Johnson University Hospital, Somerset Campus	Somerville	341
Monmouth Medical Center	Long Branch	514 (4)
Monmouth Medical Center, Southern Campus	Lakewood	241 (5)
Clara Maass Medical Center	Belleville	492 (2)
Jersey City Medical Center	Jersey City	328
Robert Wood Johnson University Hospital Rahway	Rahway	251
Robert Wood Johnson University Hospital at Hamilton	Hamilton	248
Total Acute Care Beds		**4,895**
Transitional Care Beds:		
Children's Specialized Hospital	New Brunswick	140 (6)
Community Medical Center Transitional Care Unit	Toms River	25 (2)
The Clara Maass Transitional Care Unit	Belleville	20 (2)
Total Transitional Care Beds		**185**
Specialty Hospitals:		
The Children's Hospital of NJ at Newark Beth Israel Medical Center	Newark	156 (1)
Barnabas Health Behavioral Health Center	Toms River	100 (5)
The Bristol-Myers Squibb Children's Hospital at Robert Wood Johnson University Hospital	New Brunswick	79 (3)
The Unterberg Children’s Hospital at Monmouth Medical Center	Long Branch	70 (4)
Total Specialty Hospital Beds		**405**

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

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

(3) Robert Wood Johnson University Hospital is licensed for 599 beds, 79 of which are licensed for The Bristol-Myers Squibb Children's Hospital. For presentation purposes, these 79 beds are included in the licensed bed complement for both Robert Wood Johnson University Hospital and its designated Children’s Hospital. Robert Wood Johnson University Hospital has been granted temporary approval from the Department of Health to operate an additional 26 neonatal bassinets not included in the count.

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

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

(6) These licensed beds represent pediatric long term care and rehabilitation beds. Children’s Specialized Hospital operates at multiple locations in New Jersey, including the long term care beds in Mountainside and Toms River, New Jersey. In addition to licensed beds reported in this table, Children’s Specialized Hospital operates 27 Pediatric Day slots in Roselle Park, New Jersey.

RWJ BARNABAS HEALTH, INC.

Management's Discussion and Analysis

For the three months ended March 31, 2019 and 2018

(In thousands)

RWJ Barnabas Health, Inc. (the Corporation) is the largest, most comprehensive health care system in New Jersey, with a service area covering nine counties with five million people. The system includes eleven acute care hospitals – Clara Maass Medical Center in Belleville, Community Medical Center in Toms River, Jersey City Medical Center in Jersey City, Monmouth Medical Center in Long Branch, Monmouth Medical Center Southern Campus in Lakewood, Newark Beth Israel Medical Center in Newark, Robert Wood Johnson University Hospital (RWJUH) in New Brunswick, RWJUH Somerset in Somerville, RWJUH at Hamilton, RWJUH Rahway and Saint Barnabas Medical Center in Livingston; three acute care children's hospitals and a leading pediatric rehabilitation hospital with a network of outpatient centers (Children's Specialized Hospital), 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 and kidney transplant centers, and comprehensive cancer services and breast centers.

The Corporation is one of New Jersey's largest private employers – with more than 33,000 employees, 9,000 physicians and 1,000 residents and interns – and routinely captures national awards for outstanding quality and safety. During 2018, the Corporation announced a partnership with Rutgers, the State University of New Jersey (Rutgers) to create New Jersey's largest academic health care system. The collaboration has aligned the Corporation with Rutgers' education, research and clinical activities, including those at the Rutgers Cancer Institute of New Jersey and Rutgers University Behavioral Health Care.

Awards and Distinctions

In January 2019, S&P Global raised its long-term rating to AA- from A+ and affirmed a stable outlook. The higher rating reflects the successful integration of Robert Wood Johnson Health Corp. and Barnabas Health, Inc. and the generation of favorable operating results and cash flow since the merger in 2016. In May 2019, Moody's affirmed our A1 rating and revised the outlook to positive from stable. The positive outlook reflects expectations that liquidity and margins will remain strong.

The Corporation and its affiliates are also recognized as one of the leading health care delivery systems, having received the following recognitions, among others:

- **Chime Healthcare's Most Wired 2018** – The Corporation continues to be named among the most wired for its use of information technology (IT) to better the patient experience. Hospitals and health systems at the forefront of using IT to improve the delivery of care have maximized the benefits of foundational technologies and are embracing new technologies that support population management and value-based care.
- **Leapfrog Top Teaching Hospitals in 2018** – Three of the Corporation's acute care facilities were recognized by The Leap Frog Group as a 2018 top teaching hospital.
- **Leapfrog Top General Hospitals in 2018 –** RWJUH at Hamilton was one of four New Jersey hospitals to be named a top general hospital.
- **Leapfrog Hospital Safety Grade** – Many of the Corporation's acute care facilities have been recognized with a grade of "A" for hospital safety. Saint Barnabas Medical Center is the only hospital in New Jersey and one of 49 in the nation to receive straight-A's in Leapfrog since the program's inception.
- **LGBTQ Healthcare Equality** – The Corporation has been named as a leader in LGBTQ healthcare equality by the Human Rights Campaign Foundation.

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

- **Top Places to Work in Healthcare** – The Corporation has been named one of the top 150 places to work in healthcare by Becker's Hospital Review.

- **100 Great Hospitals in America** – In 2019, RWJUH, New Brunswick was named to this list, developed by Becker's Healthcare, which recognizes facilities for excellence in clinical care, patient outcomes, and staff and physician satisfaction.

- **U.S. News & World Report** – The Bristol-Myers Squibb Children's Hospital (BMSCH) at RWJUH New Brunswick has been named one of America's best children's hospitals by U.S. News & World Report. BMSCH has been ranked among the top children's hospitals in Urology. Additionally, numerous facilities within the Corporation have consistently ranked among the top providers for New Jersey and the New York Metro region each year.

- **Newsweek World's Best Hospitals** – Newark Beth Israel Medical Center was named to the 2019 list.

- **IBM Watson's Health Top 100 Hospitals –** Monmouth Medical Center is the only New Jersey hospital to be named one of the nation's 100 Top Hospitals by IBM Watson Health.

- **Magnet Designation by the American Nurses Credentialing Center** – Affiliates of the Corporation have received Magnet designation which recognizes organizations for creating and sustaining an environment of nursing excellence where collaborative working relationships are fostered among different departments and disciplines.

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

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

- **Commission on Cancer Accredited Program** – The American College of Surgeons' Commission on Cancer has rated RWJUH New Brunswick among the nation's best comprehensive cancer centers.

Partnership with Rutgers, the State University of New Jersey

In 2018, the Board of Governors of Rutgers and the Board of Trustees of the Corporation approved a resolution outlining the terms of a public-private partnership between the Corporation and Rutgers to jointly operate a world-class academic health system dedicated to life-changing research, clinical training of tomorrow's workforce, and high quality health care for all.

This partnership forms the largest and most comprehensive academic health system in New Jersey, well positioned to take our place as a national leader in patient care, health science discovery and innovation. The new partnership will enhance the recruitment of prominent academic, research and clinical practitioners; and strengthen the advancement of health science innovation and education, while enhancing the delivery and accessibility of evidence-based health care across the state.

Key among the transformative efforts of the partnership is the formation of a comprehensive medical group composed of employed physicians and other health care professionals from the Corporation and Rutgers Health.

When completed, the newly formed medical group, one of the largest in the country, will have a unified clinical mission that complements our high quality standards of teaching and research excellence.

The Corporation has already invested $75 million and will invest another $25 million by June 30, 2019. The Corporation will also invest more than one billion dollars over 20 years to expand the education and research mission of the integrated academic health system, including:

- The recruitment of leading clinical and academic leaders and faculty to build and expand the enterprise;
- The recruitment of approximately 100 new high-caliber principal investigators by Rutgers over 10 years, to double our research portfolio;
- $10 million in financial support earmarked to encourage Rutgers medical students to remain in, and provide care to residents of, New Jersey;
- Appropriately balancing the size of residency and fellowship programs across the state to enhance education;
- Increasing opportunities to train medical, dental, nursing, pharmacy, and other health professional students in inter-professional clinical environments;
- Expanded access to clinical trials, bringing the newest and most promising treatments to all the residents of New Jersey.

In addition, the Corporation will 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.

The Corporation and Rutgers will remain separate organizations, each with its own employees, but will be closely aligned, sharing our capabilities to develop and sustain a high-performing academic health system dedicated to research, education and clinical excellence. The boards will also remain independent while taking steps to participate in the governance of the other. Additionally, a Joint Committee has been established for strategic planning and oversight of the academic health system, featuring equal representation from the Corporation and Rutgers.

Management's Discussion and Analysis of Recent Financial Condition

Management's Discussion and Analysis of Recent Financial Performance is based upon the consolidated financial results of the Corporation since the members of the Corporation's Obligated Group represent 92.4% of the total consolidated operating revenue and 98.4% of the total consolidated net assets as of and for the three months ended March 31, 2019. Accordingly, the discussion below includes the financial results of entities that are not members of the Obligated Group. Refer to the Audited Consolidated Financial Statements of the Corporation for the year ended December 31, 2018 for the consolidating schedules of the Corporation and the Obligated Group.

Adoption of Accounting Standards Update (ASU) 2016-02, Leases

In February 2016, the Financial Accounting Standards Board (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 annual 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 the 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) 840. 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.

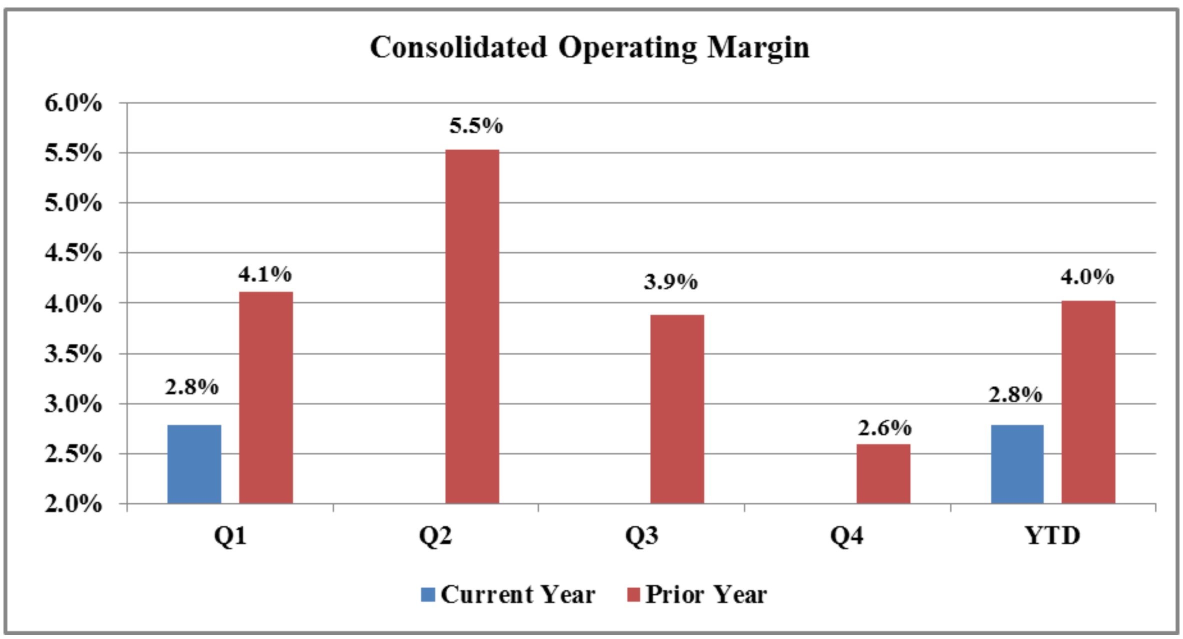
As a result of the adoption, the Corporation recognized right-of-use assets and operating lease liabilities of approximately $222 million and $228 million, respectively, as of the transition date. The adoption of ASU 2016-02 did not have a material impact on the Corporation's results of operations or cash flows.

Under the new standard, the Corporation derecognized its build to suit asset and liability as of the transition date which resulted in a reduction to net assets without donor restrictions of $2,710. The related leases were evaluated under the new guidance and recorded as a capital lease obligation amounting to $19,848.

Financial Performance Overview

For the three months ended March 31, 2019, the Corporation's total operating income and operating margin were $38,331 and 2.8%, respectively, compared to operating income of $53,315 and 4.1% for the three months ended March 31, 2018. Total operating revenue grew by $79,111 or 6.1% compared to the three months ended March 31, 2018, while operating expenses increased by $94,095 or 7.6%.

The following chart shows the Corporation's operating margin by quarter as compared to the prior year.



Contributing factors to the increase in acute care revenue was annual rate increases from our managed care population, growth in the higher-acuity inpatient services lines, and prior year revenue from cost report settlements. Additionally, we experienced growth in outpatient revenue from our medical groups due to the addition of new practices as well increases from our infusion and behavioral health services.

The increase in operating expenses was caused by increased salaries and benefits resulting from additional staff, increased physician fees due to growth in employed physicians as well as the addition of new medical groups, higher drug and implantable utilization and inflationary increases in supplies, higher interest expense due to the private taxable note offering completed in December 2018, and higher depreciation expense associated with several significant projects that became operational in late 2018. The Corporation continues to invest in infrastructure to support its academic and population health strategies.

The Corporation's excess of revenues over expenses and excess of revenue over expense margin for the three months ended March 31, 2019 were $251,174 and 18.3%, respectively, compared to $69,529 and 5.4% for the three months ended March 31, 2018. The excess of revenues over expenses is significantly higher than prior year due to investment performance. Net investment income totaled $215,264, compared to $19,729 in 2018. During the first quarter of 2019, the Corporation experienced net unrealized gains of $195,581.

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

Operations and Excess of Revenue over Expenses

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

	Three months ended March 31,	
	2019	**2018**
Operating income	38,331	53,315
Operating margin	2.8%	4.1%
EBITDA	117,581	127,021
EBITDA margin	8.6%	9.8%
Excess of revenue	251,174	69,529
Excess of revenue margin	18.3%	5.4%

Operating Revenue and Volume

The following table presents consolidated operating revenue and select volume statistics for the three months ended March 31, 2019 and 2018.

	Three months ended March 31,	
	2019	**2018**
Operating Revenue:		
Inpatient net patient service revenue	721,702	685,030
Outpatient net patient service revenue	499,677	469,973
Physician practice income	70,886	62,211
State of NJ subsidy revenue	20,036	17,795
Total net patient service revenue	1,312,301	1,235,009
Other operating revenue	61,619	59,800
Total operating revenue	1,373,920	1,294,809
Volume & utilization statistics:		
Acute care licensed beds	4,895	4,898
Average acute care beds in service	3,816	3,812
Acute care occupancy based on beds in service	74.9%	77.1%
Acute care length of stay	5.63	5.42
Acute care admissions	46,917	49,624
Adult and pediatric admissions	33,341	35,087
Newborn and NICU admissions	5,481	5,880
Maternity and obstetric cases	5,661	6,080
Patient days	257,345	264,566
Psychiatric hospital inpatient admissions	373	307
Same day surgery cases	14,939	14,566
Emergency room visits	155,204	159,462
Observations	21,854	22,270

Acute Care payor mix for the three months ended March 31, 2019 and 2018 is presented below:

	Discharges		Patient Days	
	2019	2018	2019	2018
Payor Mix	**Actual**	**Actual**	**Actual**	**Actual**
Medicare	27.3%	29.5%	32.0%	34.9%
Medicaid	4.1%	7.8%	4.9%	9.0%
Managed Medicare	12.1%	8.6%	15.0%	10.6%
Managed Medicaid	19.9%	17.9%	17.1%	15.1%
Managed Care	13.7%	13.0%	11.0%	10.5%
NJ Blue Cross & Commercial	15.3%	17.1%	12.8%	14.5%
Self-pay and Other	7.5%	6.0%	7.3%	5.4%
	100.0%	100.0%	100.0%	100.0%

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

	Three months ended March 31,					
	2019			2018		
	Net Operating Revenue	**Net Income**	**Net Income Attributable to RWJBH**	**Net Operating Revenue**	**Net Income**	**Net Income Attributable to RWJBH**
Surgical	$ 39,356	18,030	4,843	$ 27,972	10,079	2,994
Home Care & Hospice	39,924	4,012	2,040	39,990	4,408	1,799
Imaging	20,440	2,749	1,276	21,723	2,545	1,589
Other	13,605	1,657	713	13,562	2,522	752
	$ 113,325	26,447	8,872	$ 103,247	19,554	7,134

The increase in revenue from surgical ventures was attributable to the addition of fifteen new surgical centers since March of 2018. The Corporation invested $4,668 for the expansion of its ambulatory care division during 2019. The investment was used to open an endoscopy center in February. The increase in the home care and hospice ventures was primarily due to an increase in billable encounters by 10.6%, which was partially offset by a decrease in average revenue per encounter due to a shift in payor mix. The decrease in revenue from imaging ventures was due to a change in service mix which resulted in higher volumes of routine procedures versus more highly reimbursed advanced procedures. Other ventures were relatively flat to the prior year.

Operating Expenses

Total operating expenses for the three months ended March 31, 2019 increased by $94,095 or 7.6% from the three months ended March 31, 2018.

Summarized below are the consolidated operating expenses for the three months ended March 31, 2019 and 2018.

	Three months ended March 31,	
	2019	**2018**
Operating Expenses:		
Salaries and employee benefits	618,725	578,375
Physician fees and salaries	131,383	115,498
Supplies and other expenses	506,231	473,915
Interest	21,158	17,404
Depreciation and amortization	58,092	56,302
Total operating expenses	1,335,589	1,241,494

For the three months ended March 31, 2019, salaries and employee benefits increased by $40,350 or 7.0%, compared to the three months ended March 31, 2018. The increase in salaries and employee benefits was primarily due to an increase in headcount as well as higher employee health plan costs.

Physician fees and salaries increased by $15,885 or 13.8%, compared to the three months ended March 31, 2018. The increase was primarily driven by growth in employed physicians and the addition of new medical groups during the year.

Supplies and other expenses increased by $32,216 or 6.8%, compared to the three months ended March 31, 2018. The increase was primarily driven by higher drug and implantable utilization and inflationary increases.

Interest expense for the three months ended March 31, 2019 increased by $3,754 or 21.6%, compared to the three months ended March 31, 2018. The increase was primarily due to the $300 million private taxable note offering completed in December 2018.

Depreciation and amortization for the three months ended March 31, 2019 also increased by $1,790 or 3.2%, compared to the three months ended March 31, 2018. The increase was driven by large construction projects which were completed towards the end of 2018.

Nonoperating Gains and Losses

The following table presents a summary of nonoperating revenue and expenses of the Corporation for the three months ended March 31, 2019 and 2018.

	Three months ended March 31,	
	2019	**2018**
Nonoperating revenue (expenses):		
Investment income	15,618	10,894
Realized gains on investments	4,065	5,760
Unrealized gains on trading investments	195,581	3,075
Net periodic benefit cost	(2,421)	(1,828)
Other nonoperating expenses	-	(1,687)
Total nonoperating revenue, net	212,843	16,214

Net investment income and realized gains totaled $19,683 and $16,654 while net unrealized gains totaled $195,581 and $3,075 for the three months ended March 31, 2019 and 2018. Changes in the investment markets during the three months ended March 31, 2019 have significantly impacted the Corporation's investment gains.

Fundraising

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

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

	Three months ended March 31,	
	2019	**2018**
Fundraising:		
Contributions without donor restrictions	1,076	1,463
Contributions with donor restrictions	5,256	3,979
Total contributions	6,332	5,442
Support to affiliates	7,506	2,777

Unrestricted Cash and Investments

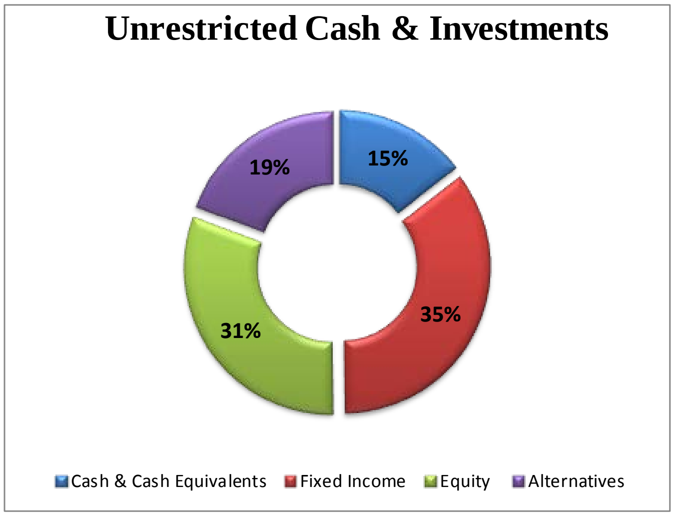
Total unrestricted cash and investments amounted to $3,668,396 at March 31, 2019, an increase of $153,334 over the balance at December 31, 2018. The Corporation continues to maintain its cash position at 267.7 days cash on hand despite investing in capital at 167% of depreciation. The Corporation continues to generate significant cash flows from its core operating activities.

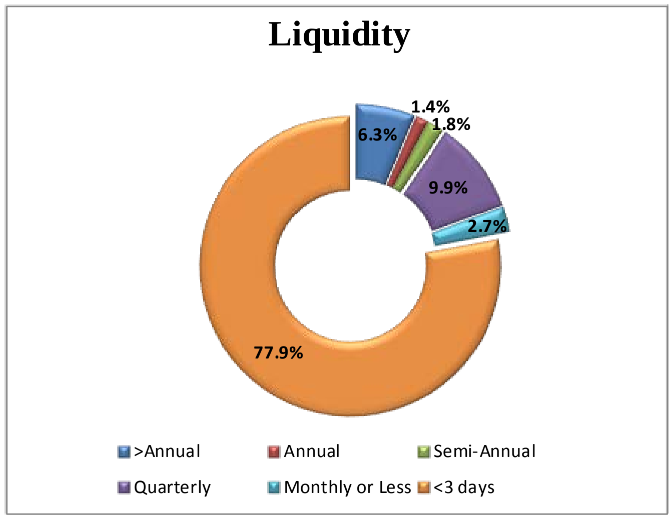
Total unrestricted cash and investments for the Corporation as of March 31, 2019 and December 31, 2018 were as follows:

	March 31, 2019	**December 31, 2018**
Unrestricted Cash and Investments:		
Cash and cash equivalents	27,085	340,495
Current investments	48,229	26,662
Noncurrent investments	3,593,082	3,147,905
Total unrestricted cash and investments	3,668,396	3,515,062

The Corporation maintains a highly diversified unrestricted investment portfolio that focuses on maximizing risk-adjusted returns while maintaining prudent levels of liquidity to meet the Corporation's cash flow needs and to stay in compliance with the Master Trust Indenture and other credit agreements of the Corporation. An Investment Policy Statement (IPS) has been adopted by the Investment Committee of the Board of Trustees. The Committee monitors the portfolio's compliance to the IPS and delegates the implementation of the policy to the Chief Investment Officer and the Corporation's Investment Advisor.

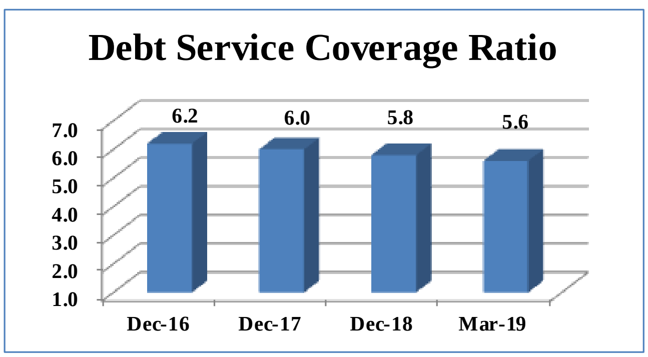
The following charts present the allocation of unrestricted cash and investments by asset type and the portfolio's liquidity as of March 31, 2019.

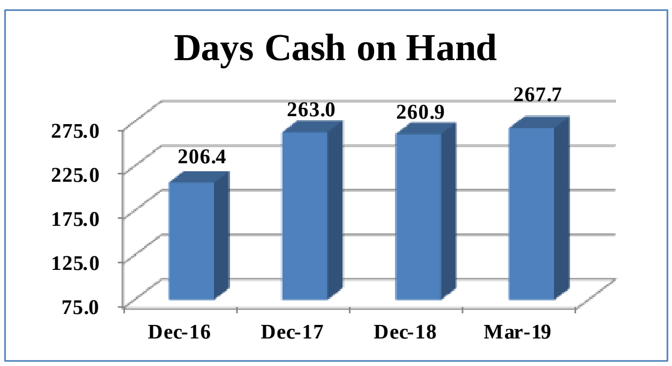




Per the Corporation's IPS, at least 75% of the asset value of the unrestricted portfolio must be classified as "monthly" liquidity as reported to the rating agencies. As of March 31, 2019, 80.6% of the total unrestricted cash and investments were classified as monthly liquidity or less.

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





The drop in the debt service coverage ratio in December 2018 was due to the increase in the maximum annual debt service resulting from the $300 million private taxable note offering.

The following table presents key financial indicators as of March 31, 2019 and 2018 as compared to S&P's "AA", "AA-" and "A+" medians.

	March 31, 2019	December 31, 2018	AA	AA-	A+
Debt servive coverage	5.6	5.8	6.5	4.8	4.4
Debt-to-capitalization	38.8%	40.5%	23.3%	29.2%	33.1%
Cash-to-debt	173.4%	167.6%	259.9%	187.7%	164.0%
Days cash on hand	267.7	260.9	341.8	243.2	188.6

The following table presents other select ratios as of March 31, 2019 and 2018.

	March 31, 2019	December 31, 2018
Days in patient accounts receivable	36.1	36.3
Days in accounts payable	50.2	51.3
Capital expenditures / depreciation	167.0%	147.7%

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets

(In thousands)

Assets		**March 31, 2019** (unaudited)	**December 31, 2018** (audited)
Current assets:			
Cash and cash equivalents	$	27,085	340,495
Investments		48,229	26,662
Assets limited or restricted as to use		21,097	57,322
Patient accounts receivable, net		525,625	507,856
Estimated amounts due from third party payors		5,972	-
Other current assets		231,196	201,664
Total current assets		859,204	1,133,999
Assets limited or restricted as to use, non-current portion		240,842	240,142
Investments		3,593,082	3,147,905
Property, plant and equipment, net		2,157,491	2,164,391
Right-of-use asset, net		213,659	-
Other assets, net		285,482	280,876
Total assets		7,349,760	6,967,313
Liabilities and Net Assets			
Current liabilities:			
Accounts payable		317,082	308,232
Accrued expenses and other current liabilities		584,900	684,835
Estimated amounts due to third party payors		-	6,368
Long-term debt		8,783	8,442
Lease obligation		40,157	-
Self-insurance liabilities		67,310	65,585
Total current liabilities		1,018,232	1,073,462
Estimated amounts due to third party payors, net of current portion		40,599	41,711
Self insurance liabilities, net of current portion		268,981	254,786
Long-term debt, net of current portion		2,106,480	2,089,281
Lease obligation, net of current portion		179,568	-
Accrued pension liability		78,020	78,020
Other liabilities		145,744	169,451
Total liabilities		3,837,624	3,706,711
Net assets:			
Without donor restrictions		3,339,770	3,084,128
With donor restrictions		172,366	176,474
Total net assets		3,512,136	3,260,602
Total liabilities and net assets	$	7,349,760	6,967,313

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Operations

Three months ended March 31, 2019 and 2018

(In thousands)

(Unaudited)

		2019	2018
Revenue:			
Net patient service revenue	$	1,312,301	1,235,009
Other revenue, net		61,619	59,800
Total revenue		1,373,920	1,294,809
Expenses:			
Salaries and wages		508,176	475,377
Physician fees and salaries		131,383	115,498
Employee benefits		110,549	102,998
Supplies		266,243	243,847
Other		239,988	230,068
Interest		21,158	17,404
Depreciation and amortization		58,092	56,302
Total expenses		1,335,589	1,241,494
Income from operations		38,331	53,315
Nonoperating revenue (expenses):			
Investment income, net		215,264	19,729
Other, net		(2,421)	(3,515)
Total nonoperating revenue, net		212,843	16,214
Excess of revenue over expenses		251,174	69,529
Other changes:			
Net change in unrealized gains (losses) on available for sale investments		25	(53)
Pension changes other than net periodic benefit cost		2,421	1,828
Net assets released from restriction for purchases of property and equipment		4,904	368
Other, net		(2,882)	(204)
Increase in net assets without donor restrictions	$	255,642	71,468

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Changes in Net Assets

Three months ended March 31, 2019 and 2018

(In thousands)

(unaudited)

	Without donor restrictions	With donor restrictions	Total net assets
Net assets at December 31, 2017	$ 3,074,321	164,962	3,239,283
Changes in net assets:			
Excess of revenues over expenses	69,529	-	69,529
Net change unrealized losses	(53)	(41)	(94)
Pension related changes other than net periodic benefit cost	1,828	-	1,828
Change in interest in restricted net assets of unconsolidated foundations	-	1,487	1,487
Net assets released from restriction	368	(2,899)	(2,531)
Restricted contributions	-	3,913	3,913
Investment income on restricted investments, net	-	18	18
Other	(204)	73	(131)
Changes in net assets	71,468	2,551	74,019
Net assets at March 31, 2018	3,145,789	167,513	3,313,302
Net assets at December 31, 2018	3,084,128	176,474	3,260,602
Changes in net assets:			
Excess of revenues over expenses	251,174	-	251,174
Net change unrealized gains	25	286	311
Pension changes other than net periodic benefit cost	2,421	-	2,421
Change in interest in restricted net assets of unconsolidated foundations	-	(1,555)	(1,555)
Net assets released from restriction	4,904	(7,842)	(2,938)
Restricted contributions	-	6,169	6,169
Investment income on restricted investments, net	-	54	54
Change in interest in perpetual trust	-	(892)	(892)
Other	(2,882)	(328)	(3,210)
Changes in net assets	255,642	(4,108)	251,534
Net assets at March 31, 2019	$ 3,339,770	172,366	3,512,136

See accompanying notes to consolidated financial statements.

RWJ Barnabas Health, Inc.

Consolidated Statements of Cash Flows

Three months ended March 31, 2019 and 2018

(In thousands)

(unaudited)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 251,534	74,019
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension changes other than net periodic benefit cost	(2,421)	(1,828)
Depreciation and amortization expense	58,092	56,302
Amortization of bond financing costs, premiums and discounts	(1,295)	(1,329)
Amortization of right of use asset	11,647	-
Derecognition of build to suit lease	2,710	-
Net change in unrealized gains on investments	(195,606)	(3,022)
Realized gains on investments	(4,065)	(5,760)
Equity in income of joint venture	(8,872)	(7,134)
Distributions received from investments in joint ventures	9,220	7,385
Distributions to noncontrolling interests	-	330
Changes in operating assets and liabilities:		
Patient accounts receivable	(17,769)	(5,790)
Other assets	(31,891)	(23,209)
Accounts payable, accrued expenses, and other current liabilities	(45,780)	(67,104)
Estimated amounts due from and to third-party payors	(13,452)	(9,924)
Accrued pension liability	2,421	(25,172)
Lease obligation, self-insurance and other long-term liabilities	6,365	1,607
Net cash provided by (used in) operating activities	20,838	(10,629)
Cash flows from investing activities:		
Purchases of property, plant, and equipment, net	(97,019)	(74,942)
Proceeds from bond escrow account	36,184	55,651
Proceeds from the sale of investments and assets limited or restricted as to use	4,163	2,628
Purchases of investments and assets limited or restricted as to use	(1,329)	(3,519)
Purchases of trading securities	(930,816)	(721,790)
Proceeds from the sale of trading securities	663,230	715,832
Investment in joint venture	(4,668)	-
Net cash used in investing activities	(330,255)	(26,140)
Cash flows from financing activities:		
Repayments of long-term debt	(1,013)	(1,472)
Distributions to noncontrolling interest	-	(330)
Net cash used in financing activities	(1,013)	(1,802)
Net decrease in cash, cash equivalents and restricted cash	(310,430)	(38,571)
Cash, cash equivalents and restricted cash at beginning of year	355,117	104,811
Cash, cash equivalents and restricted cash at end of period	$ 44,687	66,240
Supplemental disclosure of cash flow information:		
Cash paid for interest	36,131	35,453
Non-cash financing activities:		
Finance lease obligations incurred	19,848	-
Right of use asset recorded upon adoption of ASC 842	222,337	-
Lease obligation recorded upon adoption of ASC 842	228,055	-

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 accompanying unaudited consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Footnotes and other disclosures that would substantially duplicate the disclosures contained in an audited financial statement have been omitted. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements of the Corporation. Significant eliminations and reporting adjustments have been made to present the information in accordance with GAAP. The data should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 and related notes. Information for the three months ended March 31, 2019 is not based on audited information but, in the opinion of management, is presented on a basis consistent with the audited consolidated financial statements and includes adjustments necessary for a fair presentation therein. Adjustments to these financial statements may occur as a result of a more comprehensive review undertaken as part of the audit process for the year ending December 31, 2019.

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

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates.

(c) Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which replaced 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 adopted the standard and applied the full retrospective application for the adoption of the guidance to all contracts under the scope of the guidance. The application of this guidance did not have a material impact on the existing revenue streams of the Corporation.

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.

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* (ASU 2018-08). The Corporation elected to early adopt ASU No. 2016-08 for the year ended December 31, 2018 and 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 annual 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 the 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) 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.

As a result of the adoption, the Corporation recognized right of use assets and operating lease liabilities of approximately $222 million and $228 million, respectively, as of the transition date. The adoption of ASU 2016-02 did not have a material impact on the Corporation's results of operations or cash flows.

Under the new standard, the Corporation derecognized its build to suit asset and liability as of the transition date, which resulted in a reduction to net assets without donor restrictions of $2,710 and is included in other changes in unrestricted net assets. The related leases were evaluated under the new guidance and recorded as a capital lease obligation amounting to $19,848.

(d) Reclassifications

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

(3) Revenue

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 payers 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. 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. 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 three months ended March 31, 2019 and 2018.

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 (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the 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 an implicit price concession. Price concessions including charity care are not reported as revenue.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount. During the three months ended March 31, 2019 and 2018 certain prior year third-party cost reports were audited and settled, or tentatively settled by third-party payors. Adjustments resulting from such audits, settlements, and management reviews are reflected as adjustments to patient service revenue in the period that adjustments become known. The effect of cost report settlements increased net patient service revenue by approximately $9,323 and $4,755, respectively, for the three months ended March 31, 2019 and 2018. 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.

Other Revenue

Other revenue includes income from grant revenue, equity in the income of joint ventures, contributions, net assets released from restriction and cafeteria and parking, among others. Grant revenue and contributions of the Corporation are non-exchange transactions in which no commensurate value is exchanged. In such cases, contribution accounting is applied under ASC 958 *Not-for-Profit Entities*. Equity in the income of joint ventures continues to be evaluated under ASC 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. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collections can be reasonably assured.

(4) Fair Value Measurements

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

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

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

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

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 March 31, 2019 and 2018:

	March 31, 2019				
	Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Available for sale investments:					
Investment categories:					
Cash and cash equivalents and money market funds	$ 61,553	61,553	—	—	—
Mutual funds	66,418	66,418	—	—	—
Certificates of deposit	2,779	—	2,779	—	—
Corporate bonds	103	—	103	—	—
Government bonds	203	—	203	—	—
Total investments available for sale	131,056	127,971	3,085	—	—
Trading investments:					
Investment categories:					
Cash and cash equivalents and money market funds	317,062	317,062	—	—	—
Mutual funds	1,707,987	1,502,123	205,864	—	—
Equity Securities	109,059	109,059	—	—	—
Unit investment trusts	2,393	2,393	—	—	—
Commercial mortgage-backed securities	49,877	—	49,877	—	—
Corporate bonds	347,841	—	347,841	—	—
Asset-backed securities	129,540	—	129,540	—	—
Government bonds	158,573	—	158,573	—	—
Government mortgage-backed securities	88,052	—	88,052	—	—
Municipal bonds	17,647	—	17,647	—	—
Alternative investments	802,727	—	—	—	802,727
Total trading investments	3,730,758	1,930,637	997,394	—	802,727
Total assets	$ 3,861,814	2,058,608	1,000,479	—	802,727

		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	$	98,083	98,083	—	—	—
Mutual funds		61,104	61,104	—	—	—
Certificates of deposit		2,779	—	2,779	—	—
Corporate bonds		193		193	—	—
Government bonds		301	—	301	—	—
Total investments available for sale		162,460	159,187	3,273	—	—
Trading investments:						
Investment categories:						
Cash and cash equivalents and money market funds		172,409	172,409	—	—	—
Mutual funds		1,468,221	1,262,304	205,917	—	—
Equity securities		98,160	98,160	—	—	—
Unit investment trust		2,393	2,393	—	—	—
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 trading investments		3,268,858	1,535,266	974,146	—	759,446
Total assets	$	3,431,318	1,694,453	977,419	—	759,446

There were no transfers among Levels 1, 2 and 3 during the three months ended March 31, 2019 and the year ended December 31, 2018.

There are no financial liabilities reported at fair value.

(5) Long-term Debt

Long-term debt consists of the following:

		March 31, 2019	December 31, 2018
Revenue and refunding bonds	$	1,717,223	1,717,355
Senior secured notes		300,000	300,000
Capital lease obligations		27,101	8,133
Total long-term debt		2,044,324	2,025,488
Plus: Unamortized bond premium		87,038	88,636
Less:			
Unamortized bond discount		1,755	1,809
Deferred financing costs, net		14,344	14,592
Current portion		8,783	8,442
Long-term portion	$	2,106,480	2,089,281

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, 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 revenues 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 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.

(6) Employee Benefit Plans

The Corporation maintains several benefit plans for its employees. The following are brief descriptions of those plans and related expenses for the three months ended March 31, 2019 and 2018:

- The Corporation provides pension benefits to its employees through defined contribution plans. Contributions to these plans are based on percentages of annual salaries. It is the policy of the Corporation to fund accrued costs under these plans on a current basis. Pension expense related to these defined contribution plans was approximately $19,727 and $19,019 for the three months ended March 31, 2019 and 2018, respectively.

- Certain affiliates of the Corporation contribute to various multiemployer defined-benefit pension plans under the terms of collective bargaining agreements that cover union-represented employees. Contributions to these plans approximated $1,034 and $886 for the three months ended March 31, 2019 and 2018, respectively.

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

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

The 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 is based upon the assumption that plan assets will be invested primarily in fixed income and other related securities based upon their ability to perform similarly to the characteristics of the plan liabilities over time. The policy of the Corporation is to evaluate the annual funding liability on a calendar year basis. Contributions to the RWJBH Plan of $27,000 were funded in accordance with regulatory requirements for the three months ended March 31, 2018. No contributions were made to the RWJBH Plan during the three months ended March 31, 2019.

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

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. In March 2019, an additional $25 million was paid with the remaining amount due by June 30, 2019. In connection with the initial investment in 2018, the Corporation capitalized $45,000 for the acquisition of the Rutgers Health brand name. In addition, more than one billion dollars over 20 years will be invested to expand the education and research mission of the integrated academic health system.

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.

(8) Commitments

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 amounts have been drawn as of March 31, 2019.

(9) Subsequent Events

Management evaluated all events and transactions that occurred after March 31, 2019 and through May 15, 2019. The Corporation did not have any material recognizable subsequent events during the period, except as previously disclosed.

The following financial information as of March 31, 2019 (unaudited) and December 31, 2018 (audited) and for the three months ended March 31, 2019 and 2018 (unaudited) on pages 29 and 30 of the Corporation's Obligated Group was prepared for purposes of accommodating a certain group of bond and note holders. The financial information reflects the financial position and results of operations and changes in net assets of the Obligated Group and not of the entire Corporation and is not intended to be presented in conformity with U.S. generally accepted accounting principles.

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets - Obligated Group

(In thousands)

Assets	**March 31, 2019** (unaudited)	**December 31, 2018** (audited)
Current assets:		
Cash and cash equivalents	$ 407,682	632,517
Investments	48,229	26,662
Assets limited or restricted as to use	2,584	38,839
Patient accounts receivable, net	487,241	477,568
Estimated amounts due from third party payors	6,011	-
Other current assets	214,885	202,378
Total current assets	1,166,632	1,377,964
Assets limited or restricted as to use, non-current portion	83,143	87,742
Investments	3,558,724	3,114,238
Property, plant and equipment, net	2,031,795	2,041,774
Right-of-use asset	164,573	-
Other assets, net	364,290	349,063
Total assets	7,369,157	6,970,781
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	296,704	288,266
Accrued expenses and other current liabilities	523,814	607,482
Estimated amounts due to third party payors	-	6,209
Long-term debt	10,433	10,091
Lease obligation	30,965	-
Due to affiliates, net	503,542	459,564
Self-insurance liabilities	31,126	29,401
Total current liabilities	1,396,584	1,401,013
Estimated amounts due to third party payors, net of current portion	40,599	41,711
Self insurance liabilities, net of current portion	109,751	99,410
Long-term debt, net of current portion	2,045,405	2,028,206
Lease obligation, net of current portion	132,074	-
Accrued pension liability	78,020	78,020
Other liabilities	92,798	109,987
Due to affiliates, long term, net	19,461	19,461
Total liabilities	3,914,692	3,777,808
Net assets	3,454,465	3,192,973
Total liabilities and net assets	$ 7,369,157	6,970,781

See accompanying notes to consolidated financial statements - obligated group.

RWJ BARNABAS HEALTH, INC.

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

Three months ended March 31, 2019 and 2018

(In thousands)

(Unaudited)

	2019	2018
Revenue:		
Net patient service revenue	$ 1,213,519	1,155,709
Other revenue, net	55,638	50,176
Total revenue	1,269,157	1,205,885
Expenses:		
Salaries and wages	462,693	438,970
Physician fees and salaries	114,220	103,941
Employee benefits	100,635	94,626
Supplies	248,706	229,696
Other	219,741	208,491
Interest	20,911	17,149
Depreciation and amortization	54,560	53,803
Total expenses	1,221,466	1,146,676
Income from operations	47,691	59,209
Nonoperating (expenses) revenue:		
Investment income, net	211,845	19,904
Other, net	(2,197)	(3,346)
Total nonoperating revenue, net	209,648	16,558
Excess of revenue over expenses	257,339	75,767
Other changes in net assets:		
Net change in unrealized gains (losses) on investments	1	(28)
Pension changes other than net periodic benefit cost	2,421	1,828
Net assets released from restriction for purchases of property and equipment	4,904	368
Net assets transferred from non obligated group	4,556	59,920
Other, net	(7,729)	8,153
Increase in net assets	$ 261,492	146,008

See accompanying notes to consolidated financial statements - obligated group.