KPMG

RWJ BARNABAS HEALTH, INC.

Consolidated Financial Statements and
Supplementary Information

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

RWJ BARNABAS HEALTH, INC.

Table of Contents

	Page
Independent Auditors’ Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information	
Consolidating Schedule – Balance Sheet Information	45
Consolidating Schedule – Statement of Operations and Changes in Net Assets Information	49

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

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, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 control 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. 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 control 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 control. 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, 2020 and 2019, and the results of its operations, and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was 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.

KPMG LLP

Short Hills, New Jersey
April 29, 2021

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets

December 31, 2020 and 2019

(In thousands)

Assets		**2020**	**2019**
Current assets:			
Cash and cash equivalents	$	100,380	337,060
Short-term investments		578,074	43,443
Assets limited or restricted as to use		142,603	64,300
Patient accounts receivable		589,224	553,108
Estimated amounts due from third-party payors		31,022	6,344
Other current assets		238,624	213,293
Total current assets		1,679,927	1,217,548
Assets limited or restricted as to use, noncurrent portion		273,902	262,873
Investments		5,032,506	4,105,748
Property, plant, and equipment, net		2,563,409	2,284,195
Right-of-use assets		269,663	231,712
Other assets, net		457,500	293,448
Total assets	$	10,276,907	8,395,524
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	388,370	364,628
Accrued expenses and other current liabilities		949,233	724,462
Estimated amounts due to third-party payors		207,932	—
Long-term debt		9,224	11,007
Lease obligations		42,237	40,443
Self-insurance liabilities		82,931	77,610
Total current liabilities		1,679,927	1,218,150
Estimated amounts due to third-party payors, net of current portion		400,550	48,131
Self-insurance liabilities, net of current portion		265,940	246,168
Long-term debt, net of current portion		2,592,403	2,608,033
Lease obligations, net of current portion		237,046	195,952
Accrued pension liability		31,465	21,554
Other liabilities		210,148	124,712
Total liabilities		5,417,479	4,462,700
Net assets:			
Without donor restrictions		4,677,376	3,759,788
With donor restrictions		182,052	173,036
Total net assets		4,859,428	3,932,824
Total liabilities and net assets	$	10,276,907	8,395,524

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Operations

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Revenue:			
Patient service revenue	$	5,036,674	5,359,955
CARES Act grant revenue		570,657	—
Other revenue, net		293,244	264,915
Total revenue		5,900,575	5,624,870
Expenses:			
Salaries and wages		2,232,692	2,092,842
Physician fees and salaries		600,371	550,329
Employee benefits		446,884	408,097
Supplies		1,086,619	1,104,910
Other		1,068,852	979,278
Interest		101,203	87,227
Depreciation and amortization		257,470	240,681
Total expenses		5,794,091	5,463,364
Income from operations		106,484	161,506
Nonoperating revenue (expenses):			
Investment income, net		798,807	449,542
Other, net		1,680	(8,152)
Total nonoperating revenue, net		800,487	441,390
Excess of revenue over expenses		906,971	602,896
Other changes:			
Pension changes other than net periodic benefit cost		(11,282)	58,739
Net assets released from restriction for purchases of property and equipment		18,107	16,059
Other, net		3,792	(2,034)
Increase in net assets without donor restrictions	$	917,588	675,660

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2020 and 2019

(In thousands)

		Without donor restrictions	With donor restrictions	Total net assets
Net assets at December 31, 2018	$	3,084,128	176,474	3,260,602
Changes in net assets:				
Excess of revenue over expenses		602,896	—	602,896
Pension changes other than net periodic benefit cost		58,739	—	58,739
Change in interest in restricted net assets of unconsolidated foundation		—	(907)	(907)
Net assets released from restriction		16,059	(27,217)	(11,158)
Restricted contributions		—	24,566	24,566
Investment income on restricted investments, net		—	626	626
Change in interest in perpetual trust		—	(892)	(892)
Other		(2,034)	386	(1,648)
Change in net assets		675,660	(3,438)	672,222
Net assets at December 31, 2019		3,759,788	173,036	3,932,824
Changes in net assets:				
Excess of revenue over expenses		906,971	—	906,971
Pension changes other than net periodic benefit cost		(11,282)	—	(11,282)
Change in interest in restricted net assets of unconsolidated foundation		—	(1,817)	(1,817)
Net assets released from restriction		18,107	(19,790)	(1,683)
Restricted contributions		—	30,321	30,321
Investment income on restricted investments, net		—	491	491
Other		3,792	(189)	3,603
Change in net assets		917,588	9,016	926,604
Net assets at December 31, 2020	$	4,677,376	182,052	4,859,428

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	926,604	672,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Contributions received in acquisitions		—	(712)
Pension changes other than net periodic benefit cost		11,282	(58,739)
Depreciation and amortization expense		257,470	240,681
Amortization of bond financing costs, premiums, and discounts		(7,639)	(5,592)
Derecognition of build-to-suit lease		—	2,710
Net change in unrealized gains on investments		(561,802)	(264,121)
Realized gains on investments		(157,599)	(105,240)
Unrealized gain on interest rate swaps		(4,509)	—
Equity in income of joint ventures		(50,967)	(42,528)
Distributions received from investments in joint ventures		43,154	42,712
Distributions to noncontrolling interests		—	437
Impairment of goodwill		9,314	—
Loss (gain) on sale of assets		677	(680)
Contributions restricted for long-term use		(14,544)	(8,934)
Loss on early extinguishment of debt, net		—	164
Changes in operating assets and liabilities:			
Patient accounts receivable		(35,758)	(45,252)
Reduction in the carrying amount in the right-of-use assets		61,438	56,067
Other assets		(38,852)	(13,928)
Accounts payable, accrued expenses, and other current liabilities		199,989	117,659
Estimated amounts due from and to third-party payors		535,673	(6,194)
Accrued pension liability		(1,371)	2,273
Lease obligation, self-insurance, and other long-term liabilities		(34,629)	(72,989)
Net cash provided by operating activities		1,137,931	510,016
Cash flows from investing activities:			
Purchases of property, plant, and equipment		(469,290)	(369,491)
Purchases of investments		(7,639,324)	(5,229,322)
Proceeds from the sale of investments		6,870,462	4,592,956
Investment in joint venture		(137,732)	(12,594)
Cash paid in acquisition		(1,020)	(93)
Proceeds from sale of assets		692	778
Net cash used in investing activities		(1,376,212)	(1,017,766)
Cash flows from financing activities:			
Proceeds from issuance of debt		—	574,414
Borrowings under letter of credit		20,000	—
Repayments of long-term debt		(10,943)	(80,709)
Repayments under letter of credit		(20,000)	—
Payments for deferred financing costs		—	(3,888)
Distributions to noncontrolling interests		—	(437)
Proceeds from contributions restricted for long-term use		14,544	8,934
Proceeds from conditional grants and contributions for long-term use		5,958	4,606
Net cash provided by financing activities		9,559	502,920
Net decrease in cash and cash equivalents		(228,722)	(4,830)
Cash, cash equivalents, and restricted cash at beginning of year		350,287	355,117
Cash, cash equivalents, and restricted cash at end of year	$	121,565	350,287
Cash and cash equivalents	$	100,380	337,060
Restricted cash included in assets limited or restricted as to use		21,185	13,227
Total cash, cash equivalents, and restricted cash	$	121,565	350,287
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	93,978	77,961
Finance lease obligations incurred		1,169	35,716
Supplemental disclosures of noncash investing and financing activities:			
Change in noncash acquisitions of property, plant, and equipment	$	63,457	(26,453)

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. 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 cancer services and breast centers, and comprehensive cardiac surgery services, including a heart transplant center, a lung transplant center, and kidney transplant centers.

(2) Significant Accounting Policies

(a) Basis of Accounting of Financial Statement Presentation

The 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. Intercompany balances and transactions are eliminated in consolidation.

(b) Recently Adopted Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which adds, modifies, and removes certain disclosure requirement for fair value measurement. The accounting standard is effective for fiscal years beginning after December 15, 2019. The Corporation adopted the standard on January 1, 2020, which included the removal of the valuation processes for Level 3 fair value measurements and the disclosures pertaining to the Corporation's policy on recognizing transfers among levels.

The Corporation adopted ASU 2016-02, *Leases (Topic 842),* on January 1, 2019. The update required the recognition of right-of-use (ROU) lease assets and liabilities on the consolidated balance sheet and the disclosure of qualitative and quantitative information about leasing arrangements. All leases that existed at the effective date were recognized and measured using a modified retrospective approach without restating prior comparative periods. The Corporation elected to utilize the practical expedients package to not reassess at adoption whether expired or existing contracts contain leases under the new definition of a lease, lease classification for expired or existing leases, or whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

(In thousands)

As a result of the adoption, the Corporation recognized ROU assets and lease liabilities of approximately $222,000 and $228,000, respectively, as of the adoption date.

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 in 2019. The related leases were evaluated under the new guidance and recorded as a finance lease obligation amounting to $19,848 in 2019.

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles (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.

Cash and cash equivalents are maintained with domestic financial institutions with deposits, which exceed federally insured limits. It is the Corporation’s policy to monitor the financial strength of these institutions.

(e) Patient Accounts Receivable

The Corporation has agreements with third-party payors that provide for payment at amounts different from its established charges. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Management regularly reviews accounts and contracts to record explicit price concessions 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 concentration of patient accounts receivable as of December 31, 2020 and 2019 was as follows:

	December 31	
	2020	**2019**
Medicare	23 %	25 %
Medicaid	13	14
Blue Cross	20	18
Commercial and managed care	31	33
Self-pay patients and other	13	10
	100 %	100 %

(Continued)

(f) Revenue

(i) Patient Service Revenue

The Corporation's patient service revenue is recognized at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payors and include an estimate of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

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

The majority of the Corporation's services are rendered to patients with third-party payor insurance coverage. Reimbursement under these programs for all payors is based on a combination of prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents and the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims. Agreements with third-party payors typically provide for payments at amounts less than established charges. For further discussion on third-party reimbursement, refer to note 5. 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 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, 2020 or 2019. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. There was no bad debt expense for the year ended December 31, 2020 or 2019.

(In thousands)

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

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

The following tables reflect patient service revenue from third-party payors, government subsidies, and others (including uninsured patients) for the years ended December 31, 2020 and 2019:

		2020		
		Inpatient	**Outpatient**	**Total**
Medicare	$	1,122,101	538,394	1,660,495
Medicaid		499,744	363,005	862,749
Blue Cross		576,847	588,548	1,165,395
Commercial and managed care		596,208	458,167	1,054,375
Self-pay patients and other		124,020	109,064	233,084
State of New Jersey subsidy revenue		60,576	—	60,576
Total patient service revenue	$	2,979,496	2,057,178	5,036,674

(In thousands)

		2019		
		Inpatient	**Outpatient**	**Total**
Medicare	$	1,183,144	610,655	1,793,799
Medicaid		497,477	439,712	937,189
Blue Cross		542,827	650,224	1,193,051
Commercial and managed care		575,260	517,850	1,093,110
Self-pay patients and other		128,815	146,503	275,318
State of New Jersey subsidy revenue		67,488	—	67,488
Total patient service revenue	$	2,995,011	2,364,944	5,359,955

(ii) Other Revenue

Other revenue includes income from grants, equity in the income of healthcare joint ventures, unrestricted contributions, net assets released from restriction, cafeteria sales, and parking receipts. Grant revenue and contributions of the Corporation are nonexchange transactions in which no commensurate value is exchanged. In such cases, contribution accounting is applied under ASC Topic 958, *Not-for-Profit Entities*. See note 3 for grant funding received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Equity in the income of joint ventures is evaluated under ASC Topic 323, *Investments – Equity Method and Joint Ventures*.

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

(g) Supplies

Supplies are carried at the lower of cost, determined principally on an average cost basis, or net realizable value. Supplies, totaling $126,584 and $108,157, are included in other current assets in the consolidated balance sheets at December 31, 2020 and 2019, 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, assets restricted by donors for specific purposes or endowment, and internally designated assets set aside for specific purposes. Amounts required to meet current liabilities of the Corporation are classified as current assets. Restricted cash of $21,185 and $13,227 as of December 31, 2020 and 2019, respectively, is included in assets limited or restricted as to use, noncurrent portion, in the consolidated balance sheets.

(Continued)

(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. Debt securities are designated as trading. 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, private equity funds, and real estate 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 investments and 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.

(j) Property, Plant, and Equipment

Property, plant, and equipment expenditures are recorded at cost or, if donated or impaired, at fair value at the date of donation or impairment. Finance 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. Real estate and equipment held under finance leases and leasehold improvements are 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) Leases

The Corporation determines if an arrangement is a lease at inception. Leases are included in ROU assets, current lease obligations, and long-term lease obligations in the consolidated balance sheets. ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the Corporation's incremental borrowing rate. The ROU asset also includes any prepaid rent while excluding lease incentives and initial direct costs incurred.

Lease expense for operating minimum lease payments is recognized on a straight-line basis over the full lease term. Finance leases are included in property, plant, and equipment; long-term debt; and long-term debt, net of current portion in the consolidated balance sheet. Finance lease assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the explicit interest rate, when available. If an explicit interest rate is not available, the Corporation applies its incremental borrowing rate. Finance lease assets are amortized on a straight-line basis over the full lease term and presented in depreciation and amortization in the consolidated statement of operations. Interest on lease payments is calculated using the effective interest method and presented in interest expense in the consolidated statement of operations.

(l) 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 2019, the Corporation incurred $3,888 of deferred financing costs related to the issuance of the tax-exempt Series 2019A and Series 2019B and taxable Series 2019 bonds (note 10). No deferred financing costs were incurred during 2020. In connection with the refunding and refinancing that occurred during 2019, $358 of unamortized deferred financing costs were written off and are included in nonoperating revenue (expenses) in the accompanying consolidated statement of operations.

(m) 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.

(n) 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.

(In thousands)

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

		December 31	
		2020	**2019**
Without donor restrictions:			
Designated by the board	$	—	1,000
Undesignated		4,677,376	3,758,788
With donor restrictions:			
Perpetual in nature		32,513	32,513
Purpose restricted		149,232	140,196
Time restricted		307	327
Net assets	$	4,859,428	3,932,824

(o) Fair Value of Financial Instruments

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

(p) 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 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, net periodic benefit costs other than service costs, interest rate swap mark-to-market adjustments, 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.

(q) 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.

(r) Income Taxes

The Corporation and its affiliates, excluding its for-profit affiliates 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 affiliates 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 affiliates 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 affiliates have federal net operating loss (NOL) carryforwards of approximately $52,234 that expire through 2037 and State of New Jersey NOL carryforwards of approximately $51,924 that expire through 2040. Certain for-profit affiliates have federal NOL carryforwards of approximately $1,654 that never expire. At December 31, 2020 and 2019, all deferred tax assets related to NOL carryforwards have been fully reserved due to the uncertainty of realizing the tax benefits associated with these amounts.

The Corporation does not have any significant uncertain tax positions as of December 31, 2020 and 2019.

(s) 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 (note 13a, b, and c).

(t) 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 a 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 year ended December 31, 2020 or 2019.

(u) 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 (see note 16). Identifiable intangible assets are initially recorded at fair 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. In connection with the acquisition of minor businesses during 2020, the Corporation recorded goodwill of $9,314. As of December 31, 2020, the goodwill recorded as a result of these acquisitions was evaluated and determined to be impaired and charged to other expenses in the consolidated statement of operations. No impairment charges were recorded for the year ended December 31, 2019. Included in other assets are goodwill and intangible assets of approximately $7,000 and $45,000, respectively, at both December 31, 2020 and 2019.

(v) Reclassifications

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

(3) COVID-19 Pandemic and Government Funding

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

In accordance with direction and mandates from the Governor of the State of New Jersey, the Corporation cancelled or postponed all non-emergent and elective procedures effective March 27, 2020. On May 26, 2020, the Governor changed the restrictions allowing the Corporation to resume non-emergent and elective procedures. The cancellation of procedures had a significant impact on volumes and revenues during 2020.

On March 27, 2020, the President signed into law the CARES Act, which provides economic assistance to a wide array of industries, including healthcare. The CARES Act provides financial relief under several programs including a funding advance of Medicare payments, deferral of the employer portion of payroll taxes and establishment of the Provider Relief Fund (PRF). The U.S. Department of Health and Human Services (HHS) will provide $175,000,000 to assist healthcare providers in the recovery of lost revenues attributable to COVID-19 and healthcare-related expenses. Under the PRF, the Corporation has received approximately $635,000 during 2020. These funds are considered a grant that is not subject to repayment, provided the Corporation maintains compliance with the related terms, conditions, and reporting requirements of the grant set forth by HHS. The compliance and reporting requirements, as issued and updated by HHS, may continue to evolve, which could impact the amounts recognized by the Corporation through this program. The Corporation has recognized approximately $571,000 as CARES Act grant revenue for the year ended December 31, 2020. The remaining deferred payments may be recognized as operating revenue in future periods, subject to compliance with current rules and conditions and ongoing regulatory clarifications.

Subsequent to December 31, 2020, the Corporation received additional distributions of approximately $22,000 from the PRF. Based on the Corporation's interpretation of current rules, these amounts did not qualify for financial statement recognition for the year ended December 31, 2020.

During the year ended December 31, 2020, the Corporation received approximately $556,000 in Medicare payment advances under the Medicare Accelerated and Advanced Payment Program. Medicare started recouping these advances in April 2021 with final recoupments expected by August 2022. Based on expected repayments under the program approximately $212,000 is recorded in current portion of estimated amounts due to third-party payors, with the balance of $344,000 recorded as long-term in the consolidated balance sheet.

The Corporation elected to defer the deposit and payment of the employer's share of Social Security taxes incurred from March 27, 2020 through December 31, 2020 as allowed under the CARES Act. The program requires payment of 50% of the deferred taxes by December 31, 2021 and 50% by December 31, 2022. The Corporation has accumulated approximately $88,000 of deferred employer payroll taxes within accrued expenses and other current liabilities and other liabilities in the consolidated balance sheet.

(4) Charity Care and Community Benefit

In accordance with the Corporation's mission and philosophy, the Corporation's hospitals and affiliates 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, 2020 and 2019 is as follows:

(In thousands)

		2020	2019
Cost of charity care and community benefit programs:			
Estimated cost of charity care provided, less state subsidy funding	$	142,473	137,848
Unpaid cost of public programs, Medicaid, and other means – tested programs		413,925	282,807
Other programs:			
Cash and in-kind donations	$	3,528	3,687
Education and research		65,137	116,786
Subsidized departments		83,611	60,244
Other community benefits		21,213	15,342

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, 2020 and 2019, the Corporation's hospitals received distributions from the Charity Care Fund of $13,397 and $22,383, respectively, which are included in patient service revenue.

(5) Healthcare Reimbursement System

(a) The Corporation records 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 has also 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, 2020 and 2019, 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 become 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 $15,755 and $20,565 for the years ended December 31, 2020 and 2019, 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 2016 have been audited and settled. Medicaid cost reports for all years prior to 2017 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 2018. Settlement has been finalized through 2018; however, 2014 and 2018 are under appeal. 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.

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.

(In thousands)

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

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

		December 31	
		2020	2019
Investments and assets limited or restricted as to use:			
Cash and cash equivalents and money market funds	$	697,663	452,599
Government obligations/municipal bonds		453,014	344,958
Corporate bonds		1,179,987	529,932
Certificates of deposit		5,853	2,835
Mutual funds		1,882,570	1,714,603
Bond funds		—	11,350
Equity securities		408,568	305,765
Unit investment trusts		1,061	1,029
Asset-backed securities		417,747	276,810
Mortgage-backed securities		135,484	86,288
Alternative investments		800,096	707,045
Pledges receivable, net		31,400	30,113
Other investments		2,699	2,499
Accrued interest		10,943	10,538
Total investments and assets limited or restricted as to use	$	6,027,085	4,476,364

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

		December 31	
		2020	2019
Current portion:			
Investments	$	578,074	43,443
Assets limited or restricted as to use		142,603	64,300
Noncurrent assets limited or restricted as to use		273,902	262,873
Investments		5,032,506	4,105,748
	$	6,027,085	4,476,364

(In thousands)

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

		December 31	
		2020	2019
Investments	$	5,610,580	4,149,190
Self-insurance funds		25,108	25,520
Donor-restricted funds and pledges receivable, net		151,467	151,993
Funds held by bond trustees under bond indenture agreements		53,677	36,122
Internally designated funds for specific use		60,840	—
Other limited use funds		125,413	113,539
	$	6,027,085	4,476,364

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

		December 31	
		2020	2019
Interest funds	$	53,669	36,108
Principal funds		8	14
	$	53,677	36,122

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. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is a risk that a financial asset may not be readily sold.

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, 2020 and 2019, management believes that its investment positions are in accordance with guidelines established by the IPS.

(In thousands)

(7) 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	
		2020	**2019**
Cash and cash equivalents	$	100,380	337,060
Short-term investments		578,074	43,443
Patient accounts receivable		589,224	553,108
Estimated amounts due from third party payors and other current assets		88,428	48,774
	$	1,356,106	982,385

Current financial assets not available for general use because of contractual or donor-imposed restrictions were $142,603 and $64,300 at December 31, 2020 and 2019, 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, 2020, the Corporation has unrestricted cash and investments on hand to cover 376 days of operating expenses. Day's cash on hand includes Medicare advances of approximately $556,000 received as part of the CARES Act. 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. Besides short-term investments, the Corporation has $5,032,506 classified as long-term investments at December 31, 2020, of which most is available for general use. In the event of an unanticipated liquidity need, the Corporation could draw upon a $100,000 letter of credit (note 10).

(8) 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.

(In thousands)

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 December 31, 2020 and 2019:

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

(In thousands)

	December 31, 2019				
	Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Investment categories:					
Cash and cash equivalents and money market funds	$ 452,599	452,599	—	—	—
Equity securities	305,765	305,765	—	—	—
Equity mutual funds	1,310,622	1,310,622	—	—	—
Fixed income mutual funds	403,981	403,981	—	—	—
Certificates of deposit	2,835	—	2,835	—	—
Unit investment trusts	1,029	1,029	—	—	—
Commercial mortgage-backed securities	86,288	—	86,288	—	—
Corporate bonds	529,932	—	529,932	—	—
Asset-backed securities	276,810	—	276,810	—	—
Bond funds	11,350	—	11,350	—	—
Government bonds	155,768	—	155,768	—	—
Government mortgage-backed securities	165,898	—	165,898	—	—
Municipal bonds	23,292	—	23,292	—	—
Alternative investments	707,045	—	—	—	707,045
Total	$ 4,433,214	2,473,996	1,252,173	—	707,045

The following discussion describes the valuation methodologies used for financial assets measured at fair value for investment and pension plan assets. 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.

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. 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 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 and 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 designates 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.

(In thousands)

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 bonds/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.

The following tables summarize redemption terms and the Corporation's commitments for the hedge funds and others as of December 31, 2020 and 2019:

	2020			
Description of investment	**Carrying value**	**Unfunded commitment**	**Redemption frequency**	**Redemption notice required**
Hedge funds	$ 314,635	—	Monthly – annually	45–90 days written notice
Private equity	113,893	129,948	—	—
Real estate	192,826	21,094	Quarterly	90 days written notice
Other	178,742	21,636	—	—
	$ 800,096	172,678		

(In thousands)

	2019			
Description of investment	**Carrying value**	**Unfunded commitment**	**Redemption frequency**	**Redemption notice required**
Hedge funds	$ 314,164	—	Monthly – annually	30–90 days written notice
Private equity	96,118	91,918	—	—
Real estate	162,096	13,461	Quarterly	60–90 days written notice
Other	134,667	7,753	—	—
	$ 707,045	113,132		

Investments in hedge funds, interests in investment funds with complex portfolio-construction and risk management techniques, are typically carried at estimated fair value 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. At December 31, 2020, the Corporation holds $132,900 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.

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.

(In thousands)

(9) Property, Plant, and Equipment

Property, plant, and equipment consist of the following as of December 31, 2020 and 2019:

	2020	2019
Land and improvements	$ 155,987	150,556
Buildings and leasehold improvements	3,180,964	3,006,175
Fixed equipment	417,208	393,519
Major movable equipment	2,039,051	1,882,761
Real estate and equipment under finance leases	52,919	57,210
	5,846,129	5,490,221
Less accumulated depreciation and amortization (including accumulated amortization of real estate and equipment under finance leases of $19,822 and $18,657)	3,632,227	3,381,690
	2,213,902	2,108,531
Construction in progress	349,507	175,664
Property, plant, and equipment, net	$ 2,563,409	2,284,195

As of December 31, 2020, the Corporation had committed $318,026 to complete renovation and expansion projects at various affiliates of the Corporation as well as amounts committed for the EPIC project (note 13e).

(In thousands)

(10) Long-Term Debt

Long-term debt consists of the following:

		December 31	
		2020	**2019**
Master Trust indebtedness:			
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Revenue and Refunding Bonds:			
RWJ Barnabas Health Obligated Group Issue, Series 2019A Serial Bonds maturing through July 1, 2029 with an interest rate of 5.00%	$	17,490	19,250
RWJ Barnabas Health Obligated Group Issue, Series 2019B-1 Five Year Put Bonds maturing on July 1, 2043 with an interest rate of 5.00%		69,725	69,725
RWJ Barnabas Health Obligated Group Issue, Series 2019B-2 Six Year Put Bonds maturing on July 1, 2042 with an interest rate of 5.00%		70,555	70,555
RWJ Barnabas Health Obligated Group Issue, Series 2019B-3 Seven Year Put Bonds maturing on July 1, 2045 with an interest rate of 5.00%		70,550	70,550
RWJ Barnabas 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%		7,829	8,208
RWJ Barnabas 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 on 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 on July 1, 2044 with an interest rate of 5.00%; $29,925 maturing on 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

(In thousands)

	December 31 2020	December 31 2019
Robert Wood Johnson University Hospital Issue, Series 2013A $9,230 serial bonds maturing through 2023 with interest rates ranging from 3.00% to 5.00%; $93,285 term bonds maturing from 2024 to 2043 with interest rates ranging from 5.25% to 5.50%	$ 100,375	102,515
Barnabas Health Issue, Series 2012A serial bonds maturing through 2026 with interest rates ranging from 4.00% to 5.00%	90,250	90,250
RWJ Barnabas Health, Series 2019 serial bonds maturity through July 1, 2049 with an interest rate of 3.48%	302,333	302,333
RWJ Barnabas Health Private Placement Taxable Notes, Series 2018 maturing through July 1, 2044 with interest rates ranging from 4.04% to 4.40%	300,000	300,000
RWJ Barnabas 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	2,470,284	2,474,563
Note payable	—	1,112
Finance leases with various interest rates	33,982	38,365
Total long-term debt	2,504,266	2,514,040
Plus unamortized bond premium	114,557	123,530
Less:		
Unamortized bond discount	1,376	1,593
Deferred financing costs, net	15,820	16,937
Current portion	9,224	11,007
Long-term portion	$ 2,592,403	2,608,033

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

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

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

The Corporation's Obligated Group is required to maintain certain financial covenants in connection with the NJHCFFA revenue and refunding bonds.

On October 24, 2019, the Obligated Group issued its taxable bonds, RWJ Barnabas Health Taxable Revenue Bonds, Series 2019 (Series 2019), in the amount of $302,333 as obligations under the MTI. The proceeds of Series 2019 will be used for general corporate purposes and the payment of the costs of issuance.

Concurrent with the issuance of Series 2019, the NJHCFFA issued its Revenue and Refunding bonds, RWJ Barnabas Health Obligated Group Issue, Series 2019A, in the amount of $19,250, and Series 2019B put bonds in the amount of $210,830, (collectively, Series 2019AB). The proceeds of the Series 2019AB were used to provide funds to finance (i) the refunding or defeasance of (a) Barnabas Health Issue, Series 2011B; (b) RWJ Barnabas Health Obligated Group Issue, Series 2017B; (c) Robert Wood Johnson Health Care Corp. at Hamilton Obligated Group Issue, Series 2002; and (d) Robert Wood Johnson University Hospital Issue, Series 2014B; (ii) reimbursement for various capital improvements; and (iii) the payment of the costs of issuance. The Series 2019B bonds have mandatory purchase dates in July 2024, 2025, and 2026.

As a result of the issuance of Series 2019 and Series 2019AB, the Corporation, as a joint and several member of the Obligated Group, recorded total debt in the amount of $532,413 and incurred a loss on extinguishment of debt totaling $164, which is included within nonoperating revenue (expenses) in the consolidated statements of operations.

The Corporation also has a credit arrangement in the form of a stand by letter of credit (LOC) with JP Morgan Chase Bank (JPM) that provides liquidity support for the Corporation's self-insured workers' compensation programs. If the Corporation were to draw on the letter of credit, the amounts would be payable at the expiration date, which is November 15, 2021.

On February 3, 2020, the Corporation retired the note payable of $1,112.

On March 25, 2020 and April 7, 2020, the Corporation entered into interest rate swap agreements with JPM and Bank of America, respectively. Under the terms of these agreements, the Corporation is paying fixed interest rates ranging from 0.90275% to 1.01250% in exchange for variable rate payments equal to 70% of the effective Federal funds rate. The notional amounts on these swap agreements, in the amount of $131,240 and $56,490, are also tied to the outstanding principal on the underlying bond series 2014A for Robert Wood Johnson University Hospital and Barnabas Health, respectively. The Corporation has the option to terminate either of the interest rate swap agreements on or before July 1, 2034. As of

(In thousands)

December 31, 2020, the fair value of the interest rate swap agreements, net of a credit value adjustment of $739, was $4,509 and is included in other assets, net.

On March 31, 2020, the Corporation entered into a secured revolving promissory note (the Note) for the maximum principal amount of $100,000 with JPM for routine working capital needs. The terms of the Note include a commitment fee of .12% and a LIBOR spread at .55%. As of December 31, 2020, there were no borrowings outstanding under the Note. The Note expired on March 31, 2021 and was replaced with a $50,000 secured revolving promissory note (New Note) with JPM expiring on March 31, 2022. This New Note contains an accordion feature that allows the Corporation to increase the loan by an additional $50,000. The terms of the New Note include a commitment fee of .12% and a LIBOR spread at .55% on the first $50,000. As of April 29, 2021, there were no borrowings outstanding.

Scheduled maturities on long-term debt and future minimum payments on finance lease obligations at December 31, 2020 are as follows:

	Long-term debt	Finance leases	Total
2021	$ 4,662	5,886	10,548
2022	22,490	4,893	27,383
2023	27,154	4,403	31,557
2024	34,576	3,804	38,380
2025	34,376	3,833	38,209
Thereafter	2,347,026	20,793	2,367,819
Total	2,470,284	43,612	2,513,896
Plus unamortized bond premium	114,557	—	114,557
Less:			
Amount representing interest on finance lease obligations	—	9,630	9,630
Unamortized bond discount	1,376	—	1,376
Deferred financing costs, net	15,820	—	15,820
Current portion	4,662	4,562	9,224
Long-term portion	$ 2,562,983	29,420	2,592,403

(11) Employee Benefit Plans

The Corporation maintains a single noncontributory defined-benefit plan, the RWJ Barnabas Health Retirement Income Plan (the RWJBH Plan). 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

(In thousands)

Income Security Act of 1974, as amended by the Pension Protection Act of 2006, and Internal Revenue Service regulations.

During 2020 and 2019, the Society of Actuaries published updated mortality table MP-2020 and MP-2019. The Corporation utilized the updated mortality tables resulting in decreases in projected benefit obligations in the amount of $5,100 and $11,000, respectively, as of December 31, 2020 and 2019.

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, 2020 and 2019 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service cost of approximately $2,551 and $2,670, respectively, and unrecognized actuarial losses of approximately $255,002 and $243,601, respectively. The estimated actuarial loss and prior service cost that will be amortized from net assets in 2021 pension expense is $6,422. 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	
	2020	**2019**
Changes in benefit obligation:		
Benefit obligation at beginning of period	$ 1,050,229	1,004,428
Interest cost	36,641	43,812
Actuarial losses	110,975	64,461
Benefits paid and expenses	(69,642)	(62,472)
Benefit obligation at end of year	1,128,203	1,050,229
Change in plan assets:		
Fair value of plan assets at beginning of period	1,028,675	926,408
Actual return on plan assets	133,505	157,739
Employer contributions	4,200	7,000
Benefits paid and expenses	(69,642)	(62,472)
Fair value of plan assets at end of year	1,096,738	1,028,675
Funded status – accrued pension liability	$ (31,465)	(21,554)

(Continued)

(In thousands)

The actuarially computed net periodic pension cost for the years ended December 31, 2020 and 2019 included the following components, which are included in other nonoperating revenue, net:

		2020	2019
Interest costs	$	36,641	43,812
Expected return on plan assets		(40,162)	(42,866)
Amortization of actuarial loss and prior service credit		6,349	8,328
Net periodic pension cost	$	2,828	9,274

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 was discount rates of 3.59% and 4.54% and an expected long-term rate of return on plan assets of 4.05% and 4.80% for the years ended December 31, 2020 and 2019, respectively.

The weighted average assumption used in the accounting for the projected benefit obligation was a discount rate of 2.82% and 3.59% as of December 31, 2020 and 2019, respectively.

Expected benefit payments by year as of December 31, 2020 are as follows:

2021	$	71,242
2022		73,400
2023		74,369
2024		75,660
2025		77,194
2026–2030		339,175

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, 2020 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.

(In thousands)

The following tables present the Corporation's fair value hierarchy for those pension plan assets measured at fair value as of December 31, 2020 and 2019. At December 31, 2020 or 2019, the Corporation held no Level 3 assets.

	December 31, 2020				
	Fair value	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 39,885	39,885	—	—	—
Corporate bonds	501,653	—	501,653	—	—
Government bonds	175,518	—	175,518	—	—
Bond funds	186,259	—	186,259	—	—
Bank loans	7,178	—	7,178	—	—
Other investments	14,208	—	14,208	—	—
Alternative investments	172,037	—	—	—	172,037
	$ 1,096,738	39,885	884,816	—	172,037

	December 31, 2019				
	Fair value	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 23,464	23,464	—	—	—
Corporate bonds	417,512	—	417,512	—	—
Government bonds	155,088	—	155,088	—	—
Bond funds	261,480	—	261,480	—	—
Bank loans	16,708	—	16,708	—	—
Other investments	1,599	—	1,599	—	—
Alternative investments	152,824	—	—	—	152,824
	$ 1,028,675	23,464	852,387	—	152,824

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.

(Continued)

(In thousands)

The following tables summarize redemption and commitment terms for the alternative investment vehicles held in the RWJBH Plan at December 31, 2020 and 2019:

	2020				
Description of investment		**Carrying value**	**Unfunded commitment**	**Redemption frequency**	**Redemption notice required**
Hedge fund	$	51,351	—	Semi-annually	90 days
Private equity		70,343	82,833	—	—
Other		50,343	—	—	—
	$	172,037	82,833		

	2019				
Description of investment		**Carrying value**	**Unfunded commitment**	**Redemption frequency**	**Redemption notice required**
Hedge fund	$	50,540	—	Semi-annually	90 days
Private equity		63,181	16,619	—	—
Other		39,103	—	—	—
	$	152,824	16,619		

The Corporation maintains multiple defined-contribution retirement plans for its employees. Benefit expense for these plans for the years ended December 31, 2020 and 2019 was $83,041 and $79,366, respectively. The Corporation also has several supplemental executive retirement plans for certain key individuals. The plans were funded during 2020 and 2019 based upon the benefit formula as outlined in the plan documents.

At December 31, 2020 and 2019, the Corporation participates in two multiemployer 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, 2020 and for District 1199J – New Jersey Healthcare Employers Pension Plan (District 1199J Plan) was December 31, 2019. 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. The Corporation’s contributions to the Local 68 Plan for the year ended June 30, 2020 and to the District 1199J Plan for the year ended December 31, 2019 represented 1.81% and 42.4%, respectively, of the total contributions to each plan. From December 31, 2019 to December 31, 2020, participants in the Local 68 Plan and District 1199J Plan changed by 2.2% and 4.6%, respectively.

(In thousands)

At the date the consolidated financial statements were issued, Forms 5500 were not available beyond the year ended June 30, 2020 for Local 68 Plan and December 31, 2019 for the 1199J Plan.

Pension fund	EIN/Pension plan number	Pension protection act zone status	FIP/RP status pending/ implemented	Contributions of RWJBH	Expiration date of collective-bargaining agreement
Local 68 Engineers Union Pension Plan	51-0176618-001	As of 6/30/2020 Yellow	Yes	$ 437	3/20/2020
District 1199J-New Jersey Healthcare Employers Pension Plan	22-3095464-001	As of 12/31/2019 Green	No	3,814	7/15/2021

Due to Local 68 Plan's endangered status (yellow zone), a funding improvement plan was required and was adopted on June 26, 2019. The hourly contribution rate for each participant was increased annually beginning on September 1, 2017 and continued for three consecutive years. No benefits were accrued on these increased contribution rates. During the funding improvement plan period, July 1, 2017 to July 1, 2027, a reduction of 81.9% in the unfunded percentage is projected.

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. On February 28, 2020, the Corporation and the Union Benefit Plan entered into an agreement to settle all remaining liabilities for $38,489. In connection with this settlement, the Corporation recognized a gain of $11,900, which amount is included in employee benefits in the 2019 consolidated statement of operations.

(In thousands)

(12) Leases

The following table presents the components of the ROU assets, liabilities, and expenses related to leases and their classification in the consolidated balance sheets and statements of operations as of and for the years ended December 31, 2020 and 2019:

Components of lease balances	Classification in consolidated balance sheets		2020	2019
Assets:				
Operating lease assets	ROU asset	$	269,663	231,712
Finance lease assets	Property, plant, and equipment, net		33,097	38,553
Total leased assets		$	302,760	270,265
Liabilities:				
Operating lease liabilities:				
Current	Lease obligations	$	42,237	40,443
Long term	Lease obligations, net of current portion		237,046	195,952
Total operating lease liabilities			279,283	236,395
Finance lease liabilities:				
Current	Long-term debt		4,562	5,617
Long term	Long-term debt, net of current portion		29,420	32,748
Total finance lease liabilities			33,982	38,365
Total lease liabilities		$	313,265	274,760

Components of lease expense	Classification in consolidated statements of operations		2020	2019
Operating lease expense	Other operating expenses	$	59,531	56,067
Finance lease expense:				
Amortization of leased assets	Depreciation and amortization		1,165	3,098
Interest on lease liabilities	Interest		1,542	1,566
Total finance lease expense			2,707	4,664
Variable and short-term lease expense	Other operating expenses		14,933	15,539
Total lease expense		$	77,171	76,270

The Corporation determines if an arrangement is a lease at the inception of the contract. The ROU assets represent the Corporation's right to use the underlying assets for the lease term and the lease liabilities represent the Corporation's obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. An estimated incremental borrowing rate, which is derived from information available at the lease commencement date, is used to determine the present value of lease payments. The incremental borrowing rates for our portfolio of leases are based upon indicative borrowing rates for taxable debt with terms that correspond to our various lease terms.

The Corporation's operating leases are primarily for real estate, including medical office buildings, and corporate and other administrative offices, as well as medical and office equipment. Finance leases are primarily for real estate and medical equipment. Real estate lease agreements typically have initial terms of 5 to 10 years, and equipment lease agreements typically have initial terms between 2 and 5 years. The Corporation has certain long-term land leases whose original terms range from 50 to 98 years. Leases with an initial term of 12 months or less (short-term leases) are not recorded in the consolidated balance sheets.

Real estate leases may include one or more options to renew, with renewals that can extend the lease term from 1 to 20 years. The Corporation has the option to renew its land leases that can extend the lease term significantly. The exercise of lease renewal options is at our sole discretion. Renewal options are assessed at the commencement date, modification date, and when a reassessment event has occurred. The renewal option is included in the lease term when it is reasonably certain to be exercised. Certain leases also include options to purchase the leased property. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses. These variable lease payments are recognized in other operating expenses, net, but are not included in the ROU asset or liability balances. Real estate leases generally include rental escalation clauses that are factored into our determination of lease expense when appropriate. Escalations based on an index, such as the Consumer Price Index, are estimated at the commencement date and differences to the initial estimate are treated as variable lease payments. The lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

The Corporation has elected the practical expedient that allows lessees to choose to not separate lease and nonlease components by class of underlying asset and is applying this expedient to all real estate asset classes. The Corporation elected the practical expedient package to not reassess at adoption (i) whether expired or existing contracts contain leases under the new definition of a lease, (ii) lease classification for expired or existing leases, or (iii) whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

Sublease income is included in other revenue in the consolidated statements of operations and amounted to $5,719 and $5,484 for the years ended December 31, 2020 and 2019, respectively.

(Continued)

(In thousands)

The weighted average lease terms and discount rates for operating and finance leases at December 31, 2020 and 2019 are presented in the following table:

	2020	2019
Weighted average remaining lease term:		
Operating leases	9.7 years	10.7 years
Finance leases	11.2 years	11.4 years
Weighted average discount rate:		
Operating leases	3.55 %	3.97 %
Finance leases	3.97	4.03

Cash flow and other information related to leases is included in the following table for the years ended December 31, 2020 and 2019:

		2020	2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash outflows from operating leases	$	56,502	57,102
Operating cash inflows from operating leases		1,907	—
Operating cash outflows from finance leases		1,542	1,566
Financing cash outflows from finance leases		5,552	5,484
ROU assets obtained in exchange for lease obligations:			
Operating leases	$	89,147	56,659
Finance leases		1,169	35,716

(In thousands)

Future maturities of lease liabilities at December 31, 2020 are presented in the following table:

		Operating leases	Finance leases	Total
2021	$	49,937	5,886	55,823
2022		40,929	4,893	45,822
2023		31,488	4,402	35,890
2024		26,757	3,804	30,561
2025		25,039	3,833	28,872
Thereafter		171,289	20,794	192,083
Total lease payments		345,439	43,612	389,051
Less imputed interest		66,156	9,630	75,786
Total lease obligations		279,283	33,982	313,265
Less current obligations		42,237	4,562	46,799
Long-term lease obligations	$	237,046	29,420	266,466

(13) 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 affiliate 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 ultimate costs for unreported incidents and losses not covered by current insurance limits on a present value basis.

For policy years beginning July 1, 2004, CPIC provides payment of claims on a reimbursement basis for the Corporation’s self-insurance program. For professional liability, the most recent limits are $1 million for each medical incident with a $3 million aggregate for CSH claims, $10 million for each medical incident with no aggregate for all other facilities, and a buffer layer of $5 million for each medical incident with an annual aggregate limit of $5 million. For general liability, the limit is $1 million for each and every general liability occurrence with no aggregate. Prior to July 1, 2018, the Corporation purchased excess coverage of $150 million from various carriers for amounts in excess of CPIC’s retained limits. Beginning July 1, 2018, the excess coverage is purchased through CPIC and reinsured by various carriers.

Prior to December 31, 2016, certain affiliates of the Corporation were insured through Systems and Affiliated Members Limited (SAAML). In February 2017, CPIC and SAAML finalized a merger, with CPIC as the surviving company, at which time all affiliates were insured by CPIC. CPIC issues policies providing professional liability and comprehensive general liability coverage for all the Corporation's affiliates and subsidiaries under a combined insurance program.

At December 31, 2020 and 2019, total liabilities, which include tail coverage, were $269,601 and $251,522, respectively. The liabilities have been discounted at 2.5% and are included in self-insurance liabilities in the accompanying consolidated balance sheets. The undiscounted liability was $287,986 and $268,648 as of December 31, 2020 and 2019, respectively. The liabilities also include $21,197 and $14,455 of claims at December 31, 2020 and 2019, respectively, which are expected to be reimbursed by the insurance carrier. Such amounts are included in other assets, net, in the accompanying consolidated balance sheets.

(b) Workers' Compensation

The Corporation is self-insured for the majority of workers' compensation benefits but has a commercial excess insurance policy. At December 31, 2020 and 2019, the accrual for estimated workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported and totaled $55,405 and $51,049, respectively. The liabilities also include $11,072 and $10,558 of claims as of December 31, 2020 and 2019, 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 from the runoff of a legacy workers' compensation program, which ended in 2013, is supported by an unsecured letter of credit in the amount of $6,400 (note 10).

(c) Employee Health Insurance

The Corporation maintains self-insured employee health benefit programs to provide coverage for its employees. At December 31, 2020 and 2019, 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 $23,865 and $21,207, respectively, and is included in self-insurance liabilities in the consolidated balance sheets.

(d) 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.

(e) EHR Platform

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

(Continued)

(In thousands)

The implementation will be done in phases. The anticipated completion date is 2023, with a cost of approximately $750,000 over 10 years. The estimated cost includes costs that will be capitalized as well as those that will be expensed as incurred.

(f) Other

Approximately 23% of the Corporation’s employees were covered by collective bargaining agreements for the years ended December 31, 2020 and 2019, of which 10% expire in the next year.

(14) 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.

Expenses related to providing these services and supporting functions are as follows for the years ended December 31, 2020 and 2019:

		2020		
		Healthcare services	General and administrative	Total
Salaries and wages	$	1,907,440	325,252	2,232,692
Physician fees and salaries		540,334	60,037	600,371
Employee benefits		379,852	67,032	446,884
Supplies		1,085,520	1,099	1,086,619
Other		797,990	270,862	1,068,852
Interest		86,451	14,752	101,203
Depreciation and amortization		218,074	39,396	257,470
Total	$	5,015,661	778,430	5,794,091

		2019		
		Healthcare services	General and administrative	Total
Salaries and wages	$	1,800,496	292,346	2,092,842
Physician fees and salaries		495,296	55,033	550,329
Employee benefits		350,963	57,134	408,097
Supplies		1,103,428	1,482	1,104,910
Other		741,872	237,406	979,278
Interest		74,608	12,619	87,227
Depreciation and amortization		192,967	47,714	240,681
Total	$	4,759,630	703,734	5,463,364

(Continued)

(15) 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, medical transportation 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 in other revenue in the accompanying consolidated statements of operations. Financial information for the equity method investees for the years ended December 31, 2020 and 2019 includes net operating revenue of $554,891 and $495,772, net income of $136,987 and $123,280, and net income attributable to the Corporation of $50,967 and $42,528, respectively. For the year ended December 31, 2020, the Corporation invested capital of $137,732 in joint ventures, of which $62,044 of the investment related to joint ventures formed during 2020.

Total investments in joint ventures amounted to $319,948 and $174,403 at December 31, 2020 and 2019, respectively. These amounts are included in other assets, net in the consolidated balance sheets.

(16) Affiliation with Rutgers, The State University of New Jersey

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 healthcare system with the goal of integrating medical education, advanced research, and healthcare delivery to produce world-class clinical services and outcomes.

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

The Corporation has invested $100,000 through June 30, 2019. In connection with this investment, the Corporation capitalized $45,000 for the right to use the Rutgers Health brand name. In addition, more than $1,000,000 over 20 years will be invested to expand the education and research mission of the integrated academic health system. During the years ended December 31, 2020 and 2019, the Corporation made payments to Rutgers in the amounts of $43,834 and $78,031, respectively, related to the MAA. As of December 31, 2020, and 2019, the Corporation owed Rutgers $55,308 and $45,744, respectively. These amounts are included in accrued expenses and other liabilities in the consolidated balance sheets.

A component of the MAA was to form a comprehensive medical group comprising employed physicians and other health care professionals from the Corporation and Rutgers. Through the execution of an Integrated Practice Agreement (IPA) effective July 1, 2020, Rutgers and the Corporation have taken a step toward integrating the clinical services provided within Rutgers' Robert Wood Johnson Medical School (RWJMS) in the New Brunswick region and the Corporation's medical group practices.

Under the IPA, all current Rutgers employees in the clinical practices will remain Rutgers employees. The Corporation has assumed responsibility for the patient experience and administration of the RWJMS clinical enterprise. In connection with the IPA, the Corporation is responsible for clinical losses above an agreed upon amount, which declines over an eight-year period ending June 30, 2028. For the six months ended December 31, 2020, the additional amount owed was estimated to be approximately $3,500.

The Corporation will also fund the construction of a new clinical and research building for the Rutgers Cancer Institute of New Jersey, the state's only National Cancer Institute designated comprehensive cancer center. The new building will be adjacent to, and integrated with, RWJUH New Brunswick. The estimated cost will be approximately $735,000. For the year ended December 31, 2020, approximately $3,600 was incurred related to architectural and engineering fees. In January 2021, the Corporation paid $56,000 to purchase the land on which the new building will be constructed.

(17) Potential Affiliations

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

The Corporation entered into a Definitive Agreement with Trinitas Regional Medical Center (Trinitas), a 554-bed, Catholic, acute care teaching hospital, headquartered in Elizabeth, New Jersey, on November 11, 2020. Under the terms of the agreement, the role of Trinitas as a full service, Catholic provider of acute healthcare services for the eastern Union County community will be enhanced. The Corporation will make significant investments in Trinitas and will expand the network of outpatient services currently provided by Trinitas, resulting in an even higher level of care for the community.

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

(18) Subsequent Events

Management evaluated all events occurring subsequent to December 31, 2020 and through April 29, 2021, the date the consolidated financial statements were available to be issued. The Corporation did not have any material recognizable subsequent events during the period, except as previously disclosed.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2020

(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	$ 179,957	985	6	10	16	25	630	2,048
Investments	578,074	—	—	—	—	—	—	—
Assets limited or restricted as to use	49,590	10	—	—	63	—	—	5,565
Patient accounts receivable	—	11,454	29,217	41,229	39,564	52,988	60,979	168,462
Due from affiliates	66,556	84,449	152,693	412,830	118,646	654,549	364,323	975,806
Estimated amounts due from third-party payors	—	117	2,401	73	5,899	9,307	8,372	4,534
Other current assets	66,221	8,430	7,890	11,180	13,413	19,136	26,897	39,901
Total current assets	940,398	105,445	192,207	465,322	177,601	736,005	461,201	1,196,316
Assets limited or restricted as to use, noncurrent portion	28,445	3,916	2,293	2,495	1,523	7,106	30,160	13,571
Investments	4,997,108	—	—	—	—	—	1,171	(327)
Property, plant, and equipment, net	276,467	74,664	129,143	164,142	312,631	132,233	133,945	696,388
Right-of-use assets	56,058	7,187	904	11,579	38,051	4,143	4,368	50,366
Due from affiliates	—	—	—	—	—	—	—	—
Other assets, net	411,125	26,176	1,184	9,507	5,255	51,673	132	61,009
	$ 6,709,601	217,388	325,731	653,045	535,061	931,160	630,977	2,017,323
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 83,667	5,176	18,078	16,998	21,597	25,023	24,947	81,054
Accrued expenses and other current liabilities	212,574	14,768	68,573	34,552	53,122	54,571	81,796	183,657
Estimated amounts due to third-party payors	89	—	10,644	31,398	8,343	19,427	19,639	59,118
Long-term debt and notes payable	194	1,134	754	220	206	390	379	2,884
Lease obligations	3,450	1,783	649	1,971	5,889	1,209	1,294	6,797
Due to affiliates	4,333,419	—	5	19	128	161,724	59	503
Self-insurance liabilities	33,579	—	—	—	—	—	—	—
Total current liabilities	4,666,972	22,861	98,703	85,158	89,285	262,344	128,114	334,013
Estimated amounts due to third-party payors, net of current portion	—	—	20,360	56,585	27,351	42,556	45,490	114,241
Self-insurance liabilities, net of current portion	100,195	—	—	—	—	—	—	—
Long-term debt, less current portion	306,791	41,756	160,445	101,583	224,447	249,222	238,529	612,455
Lease obligations, less current portion	50,925	5,566	258	9,575	32,550	2,929	3,241	44,185
Accrued pension liability	31,465	—	—	—	—	—	—	—
Other liabilities	56,443	3,948	4,869	5,792	7,525	11,283	28,602	25,995
Due to affiliates	—	—	—	—	—	—	—	—
Total liabilities	5,212,791	74,131	284,635	258,693	381,158	568,334	443,976	1,130,889
Net assets	1,496,810	143,257	41,096	394,352	153,903	362,826	187,001	886,434
Total liabilities and net assets	$ 6,709,601	217,388	325,731	653,045	535,061	931,160	630,977	2,017,323

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2020

(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	$ 66	1,455	129	—	185,327	(84,947)	—	100,380
Investments	—	—	—	—	578,074	—	—	578,074
Assets limited or restricted as to use	161	215	—	—	55,604	86,999	—	142,603
Patient accounts receivable	15,473	11,881	96,206	—	527,453	61,771	—	589,224
Due from affiliates	126,229	77,211	1,272,685	(4,257,006)	48,971	594,283	(643,254)	—
Estimated amounts due from third-party payors	247	—	72	—	31,022	—	—	31,022
Other current assets	5,794	3,856	21,630	—	224,348	42,983	(28,707)	238,624
Total current assets	147,970	94,618	1,390,722	(4,257,006)	1,650,799	701,089	(671,961)	1,679,927
Assets limited or restricted as to use, noncurrent portion	1,884	965	31,192	—	123,550	150,352	—	273,902
Investments	156	18	3,194	—	5,001,320	31,186	—	5,032,506
Property, plant, and equipment, net	90,008	32,945	385,628	—	2,428,194	135,215	—	2,563,409
Right-of-use assets	5,899	762	12,151	—	191,468	78,195	—	269,663
Due from affiliates	—	—	—	—	—	19,813	(19,813)	—
Other assets, net	2,809	863	5,788	(127,650)	447,871	152,646	(143,017)	457,500
	$ 248,726	130,171	1,828,675	(4,384,656)	9,843,202	1,268,496	(834,791)	10,276,907
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 12,333	11,986	46,958	—	347,817	40,553	—	388,370
Accrued expenses and other current liabilities	11,687	11,749	76,664	—	803,713	169,038	(23,518)	949,233
Estimated amounts due to third-party payors	8,173	4,526	31,825	—	193,182	14,750	—	207,932
Long-term debt and notes payable	1,303	74	5,333	—	12,871	239	(3,886)	9,224
Lease obligations	831	352	2,543	—	26,768	15,469	—	42,237
Due to affiliates	22	19	614	(4,257,006)	239,506	403,748	(643,254)	—
Self-insurance liabilities	—	—	—	—	33,579	49,352	—	82,931
Total current liabilities	34,349	28,706	163,937	(4,257,006)	1,657,436	693,149	(670,658)	1,679,927
Estimated amounts due to third-party payors, net of current portion	14,147	16,083	63,225	—	400,038	512	—	400,550
Self-insurance liabilities, net of current portion	—	—	—	—	100,195	165,745	—	265,940
Long-term debt, net of current portion	120,995	13,841	455,012	—	2,525,076	82,273	(14,946)	2,592,403
Lease obligations, less current portion	5,027	413	9,922	—	164,591	72,455	—	237,046
Accrued pension liability	—	—	—	—	31,465	—	—	31,465
Other liabilities	3,704	1,530	15,152	(2,650)	162,193	47,955	—	210,148
Due to affiliates	—	—	19,813	—	19,813	—	(19,813)	—
Total liabilities	178,222	60,573	727,061	(4,259,656)	5,060,807	1,062,089	(705,417)	5,417,479
Net assets	70,504	69,598	1,101,614	(125,000)	4,782,395	206,407	(129,374)	4,859,428
Total liabilities and net assets	$ 248,726	130,171	1,828,675	(4,384,656)	9,843,202	1,268,496	(834,791)	10,276,907

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2019

(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	$	777,613	467	7	9	16	101	1,407	824
Investments		43,443	—	—	—	—	—	—	—
Assets limited or restricted as to use		31,975	6	—	—	61	—	—	5,404
Patient accounts receivable		—	12,655	24,430	36,540	39,919	51,208	64,539	153,794
Due from affiliates		61,524	76,162	106,879	334,592	83,919	559,107	304,128	814,922
Estimated amounts due from third-party payors		—	—	1,141	—	2,112	3,875	2,146	—
Other current assets		40,926	6,134	6,594	9,784	11,632	19,631	23,062	43,820
Total current assets		955,481	95,424	139,051	380,925	137,659	633,922	395,282	1,018,764
Assets limited or restricted as to use, noncurrent portion		14,599	2,982	2,276	2,189	2,347	5,633	28,135	12,229
Investments		4,063,362	—	—	—	—	—	3,653	(223)
Property, plant, and equipment, net		143,798	68,555	133,194	146,135	277,003	130,498	120,342	632,560
Right-of-use assets		28,778	7,316	1,506	5,593	29,249	3,995	5,481	68,848
Due from affiliates		—	—	—	—	—	—	—	—
Other assets, net		312,603	27,732	1,079	7,639	3,633	47,873	123	68,578
	$	5,518,621	202,009	277,106	542,481	449,891	821,921	553,016	1,800,756
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	$	78,617	3,559	15,317	14,442	17,135	25,891	27,783	75,383
Accrued expenses and other current liabilities		168,447	14,370	24,150	23,065	29,405	43,345	74,595	169,193
Estimated amounts due to third-party payors		642	73	—	1,879	—	—	—	5,101
Long-term debt and notes payable		169	1,026	710	231	218	403	385	3,498
Lease obligations		2,692	1,618	705	2,388	5,444	1,713	1,417	8,324
Due to affiliates		4,047,286	—	—	—	—	150,832	—	330
Self-insurance liabilities		29,644	—	—	—	—	—	—	—
Total current liabilities		4,327,497	20,646	40,882	42,005	52,202	222,184	104,180	261,829
Estimated amounts due to third-party payors, net of current portion		—	—	2,563	6,424	5,127	2,297	10,139	8,541
Self-insurance liabilities, net of current portion		92,493	—	—	—	—	—	—	—
Long-term debt, less current portion		307,687	43,094	161,534	102,020	224,870	250,183	239,390	616,852
Lease obligations, less current portion		22,535	5,729	799	3,112	23,955	2,263	4,211	60,453
Accrued pension liability		21,554	—	—	—	—	—	—	—
Other liabilities		14,984	3,045	2,414	2,582	5,122	5,782	20,819	16,206
Due to affiliates		—	—	—	—	—	—	—	—
Total liabilities		4,786,750	72,514	208,192	156,143	311,276	482,709	378,739	963,881
Net assets		731,871	129,495	68,914	386,338	138,615	339,212	174,277	836,875
Total liabilities and net assets	$	5,518,621	202,009	277,106	542,481	449,891	821,921	553,016	1,800,756

(Continued)

RWJ BARNABAS HEALTH, INC.

Consolidating Schedule – Balance Sheet Information

December 31, 2019

(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	$ 35	583	(454)	—	780,608	(443,548)	—	337,060
Investments	—	—	—	—	43,443	—	—	43,443
Assets limited or restricted as to use	182	246	—	—	37,874	26,426	—	64,300
Patient accounts receivable	15,666	12,103	93,049	—	503,903	49,205	—	553,108
Due from affiliates	106,510	62,907	1,091,740	(3,599,550)	2,840	879,411	(882,251)	—
Estimated amounts due from third-party payors	—	—	5,271	(8,466)	6,079	265	—	6,344
Other current assets	5,741	3,759	25,370	—	196,453	44,730	(27,890)	213,293
Total current assets	128,134	79,598	1,214,976	(3,608,016)	1,571,200	556,489	(910,141)	1,217,548
Assets limited or restricted as to use, noncurrent portion	1,785	2,371	34,326	—	108,872	154,001	—	262,873
Investments	205	16	5,808	—	4,072,821	32,927	—	4,105,748
Property, plant, and equipment, net	93,066	26,654	384,459	—	2,156,264	127,931	—	2,284,195
Right-of-use assets	6,397	1,130	11,163	—	169,456	62,256	—	231,712
Due from affiliates	—	—	—	—	—	19,813	(19,813)	—
Other assets, net	2,378	847	5,850	(132,488)	345,847	102,217	(154,616)	293,448
	$ 231,965	110,616	1,656,582	(3,740,504)	8,424,460	1,055,634	(1,084,570)	8,395,524
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 13,829	8,306	46,349	—	326,611	38,017	—	364,628
Accrued expenses and other current liabilities	10,737	9,905	64,336	—	631,548	116,558	(23,644)	724,462
Estimated amounts due to third-party payors	689	81	—	(8,465)	—	—	—	—
Long-term debt and notes payable	1,308	84	4,597	—	12,629	1,320	(2,942)	11,007
Lease obligations	1,231	387	2,642	—	28,561	11,882	—	40,443
Due to affiliates	—	11	8	(3,599,551)	598,916	283,335	(882,251)	—
Self-insurance liabilities	—	—	—	—	29,644	47,966	—	77,610
Total current liabilities	27,794	18,774	117,932	(3,608,016)	1,627,909	499,078	(908,837)	1,218,150
Estimated amounts due to third-party payors, net of current portion	2,358	8,313	2,369	—	48,131	—	—	48,131
Self-insurance liabilities, net of current portion	—	—	—	—	92,493	153,675	—	246,168
Long-term debt, net of current portion	122,765	13,860	461,987	—	2,544,242	82,622	(18,831)	2,608,033
Lease obligations, less current portion	5,087	741	8,644	—	137,529	58,423	—	195,952
Accrued pension liability	—	—	—	—	21,554	—	—	21,554
Other liabilities	2,313	933	7,756	(7,488)	74,468	50,244	—	124,712
Due to affiliates	—	—	19,813	—	19,813	—	(19,813)	—
Total liabilities	160,317	42,621	618,501	(3,615,504)	4,566,139	844,042	(947,481)	4,462,700
Net assets	71,648	67,995	1,038,081	(125,000)	3,858,321	211,592	(137,089)	3,932,824
Total liabilities and net assets	$ 231,965	110,616	1,656,582	(3,740,504)	8,424,460	1,055,634	(1,084,570)	8,395,524

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

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

Year ended December 31, 2020

(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:								
Patient service revenue	$ 125	135,790	260,943	365,628	344,108	497,914	522,707	1,368,296
CARES Act	—	5,418	20,356	44,769	50,754	57,538	81,444	131,860
Other revenue, net	944,000	18,670	5,388	2,541	18,699	17,598	39,608	44,986
Total revenue	944,125	159,878	286,687	412,938	413,561	573,050	643,759	1,545,142
Expenses:								
Salaries and wages	208,449	82,549	125,784	147,698	151,426	200,753	213,189	525,868
Physician fees and salaries	22,661	10,792	21,368	27,474	54,753	55,013	87,262	152,217
Employee benefits	324,625	19,057	26,711	30,037	30,935	36,707	59,012	85,132
Supplies	3,304	5,135	46,891	77,031	63,132	98,518	104,384	335,146
Other	318,515	26,557	74,649	106,754	90,295	135,188	143,257	312,753
Interest	11,676	1,617	6,218	3,820	9,451	9,497	9,062	25,232
Depreciation and amortization	29,315	6,936	13,404	15,308	20,668	20,967	17,242	71,942
Total expenses	918,545	152,643	315,025	408,122	420,660	556,643	633,408	1,508,290
Income (loss) from operations	25,580	7,235	(28,338)	4,816	(7,099)	16,407	10,351	36,852
Nonoperating revenue (expenses), net:								
Investment income (loss), net	793,683	—	—	—	—	—	16	(6)
Other, net	4,253	—	(203)	(436)	(226)	(354)	(454)	(207)
Total nonoperating revenue (expenses), net	797,936	—	(203)	(436)	(226)	(354)	(438)	(213)
Excess (deficiency) of revenue over expenses	823,516	7,235	(28,541)	4,380	(7,325)	16,053	9,913	36,639
Pension changes other than net periodic benefit cost	(11,282)	—	—	—	—	—	—	—
Net assets released from restriction for purchases of property and equipment	—	1,493	780	2,191	936	1,246	1,754	5,046
Net assets transferred	9,668	—	—	—	—	—	—	—
Other, net	(56,963)	(230)	(172)	1,657	19,043	1,420	2,419	13,988
Total other changes in net assets	(58,577)	1,263	608	3,848	19,979	2,666	4,173	19,034
Increase (decrease) in net assets without donor restrictions	764,939	8,498	(27,933)	8,228	12,654	18,719	14,086	55,673
Change in net assets with donor restrictions	—	5,264	115	(214)	2,634	4,895	(1,362)	(6,114)
Net assets, beginning of year	731,871	129,495	68,914	386,338	138,615	339,212	174,277	836,875
Net assets, end of year	$ 1,496,810	143,257	41,096	394,352	153,903	362,826	187,001	886,434

(Continued)

RWJ BARNABAS HEALTH, INC.

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

Year ended December 31, 2020

(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:								
Patient service revenue	$ 175,818	94,815	858,955	—	4,625,099	411,575	—	5,036,674
CARES Act	24,016	21,678	82,618	—	520,451	50,206	—	570,657
Other revenue, net	1,184	6,136	13,581	(864,201)	248,190	306,850	(261,796)	293,244
Total revenue	201,018	122,629	955,154	(864,201)	5,393,740	768,631	(261,796)	5,900,575
Expenses:								
Salaries and wages	72,397	48,633	265,147	—	2,041,893	190,799	—	2,232,692
Physician fees and salaries	13,561	10,698	88,932	—	544,731	222,297	(166,657)	600,371
Employee benefits	11,478	8,678	55,194	(273,285)	414,281	56,175	(23,572)	446,884
Supplies	43,012	19,076	199,511	—	995,140	97,520	(6,041)	1,086,619
Other	50,283	30,042	239,481	(590,916)	936,858	195,354	(63,360)	1,068,852
Interest	4,355	531	18,737	—	100,196	3,173	(2,166)	101,203
Depreciation and amortization	9,260	4,722	34,412	—	244,176	13,294	—	257,470
Total expenses	204,346	122,380	901,414	(864,201)	5,277,275	778,612	(261,796)	5,794,091
Income (loss) from operations	(3,328)	249	53,740	—	116,465	(9,981)	—	106,484
Nonoperating revenue (expenses), net:								
Investment income (loss), net	(26)	4	50	—	793,721	5,086	—	798,807
Other, net	—	(252)	(399)	—	1,722	(42)	—	1,680
Total nonoperating revenue (expenses), net	(26)	(248)	(349)	—	795,443	5,044	—	800,487
Excess (deficiency) of revenue over expenses	(3,354)	1	53,391	—	911,908	(4,937)	—	906,971
Pension changes other than net periodic benefit cost	—	—	—	—	(11,282)	—	—	(11,282)
Net assets released from restriction for purchases of property and equipment	—	76	4,585	—	18,107	—	—	18,107
Net assets transferred	—	—	—	—	9,668	(9,668)	—	—
Other, net	1,779	1,547	1,692	—	(13,820)	15,815	1,797	3,792
Total other changes in net assets	1,779	1,623	6,277	—	2,673	6,147	1,797	10,617
Increase (decrease) in net assets without donor restrictions	(1,575)	1,624	59,668	—	914,581	1,210	1,797	917,588
Change in net assets with donor restrictions	431	(21)	3,865	—	9,493	(6,395)	5,918	9,016
Net assets, beginning of year	71,648	67,995	1,038,081	(125,000)	3,858,321	211,592	(137,089)	3,932,824
Net assets, end of year	$ 70,504	69,598	1,101,614	(125,000)	4,782,395	206,407	(129,374)	4,859,428

See accompanying independent auditors' report.

RWJ BARNABAS HEALTH, INC.

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

Year ended December 31, 2019

(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:								
Patient service revenue	$ 375	138,047	260,782	391,908	381,388	539,464	620,626	1,414,510
Other revenue, net	793,554	20,307	5,696	3,250	18,462	17,332	40,112	36,588
Total revenue	793,929	158,354	266,478	395,158	399,850	556,796	660,738	1,451,098
Expenses:								
Salaries and wages	147,262	80,872	111,991	140,201	144,801	185,065	218,683	502,887
Physician fees and salaries	30,533	11,086	16,623	20,597	42,559	47,315	84,266	124,652
Employee benefits	299,337	18,518	26,404	28,640	29,067	32,512	56,658	69,367
Supplies	4,290	4,810	44,802	76,302	63,944	101,039	124,474	333,886
Other	259,355	27,384	64,956	95,376	86,761	128,040	147,056	296,528
Interest	9,606	1,497	5,340	2,933	8,112	8,619	7,839	21,394
Depreciation and amortization	24,884	7,455	11,705	14,344	16,641	20,254	16,242	69,927
Total expenses	775,267	151,622	281,821	378,393	391,885	522,844	655,218	1,418,641
Income (loss) from operations	18,662	6,732	(15,343)	16,765	7,965	33,952	5,520	32,457
Nonoperating revenue (expenses), net:								
Investment income (loss), net	442,266	7	—	—	—	—	73	51
Other, net	(142)	(36)	(672)	(1,438)	(741)	(1,166)	(1,491)	(685)
Total nonoperating revenue (expenses), net	442,124	(29)	(672)	(1,438)	(741)	(1,166)	(1,418)	(634)
Excess (deficiency) of revenue over expenses	460,786	6,703	(16,015)	15,327	7,224	32,786	4,102	31,823
Pension changes other than net periodic benefit cost	58,739	—	—	—	—	—	—	—
Net assets released from restriction for purchases of property and equipment	—	2,465	288	116	20	328	1,021	3,799
Net assets transferred	—	—	—	—	—	—	—	—
Other, net	406,503	(7,358)	(32,673)	(28,858)	(48,047)	(27,528)	(38,616)	(125,386)
Total other changes in net assets	465,242	(4,893)	(32,385)	(28,742)	(48,027)	(27,200)	(37,595)	(121,587)
Increase (decrease) in net assets without donor restrictions	926,028	1,810	(48,400)	(13,415)	(40,803)	5,586	(33,493)	(89,764)
Change in net assets with donor restrictions	—	(908)	(47)	872	579	5,050	799	(3,430)
Net assets (deficit), beginning of year	(194,157)	128,593	117,361	398,881	178,839	328,576	206,971	930,069
Net assets, end of year	$ 731,871	129,495	68,914	386,338	138,615	339,212	174,277	836,875

(Continued)

RWJ BARNABAS HEALTH, INC.

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

Year ended December 31, 2019

(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:								
Patient service revenue	$ 193,266	109,233	895,336	—	4,944,935	415,020	—	5,359,955
Other revenue, net	1,594	6,230	17,445	(775,888)	184,682	321,001	(240,768)	264,915
Total revenue	194,860	115,463	912,781	(775,888)	5,129,617	736,021	(240,768)	5,624,870
Expenses:								
Salaries and wages	67,711	48,058	253,753	—	1,901,284	191,558	—	2,092,842
Physician fees and salaries	12,520	8,025	81,540	—	479,716	191,612	(120,999)	550,329
Employee benefits	10,473	8,710	54,139	(261,581)	372,244	56,141	(20,288)	408,097
Supplies	43,631	21,275	203,277	—	1,021,730	88,416	(5,236)	1,104,910
Other	49,654	26,989	227,184	(514,307)	894,976	176,495	(92,193)	979,278
Interest	4,092	448	16,323	—	86,203	3,076	(2,052)	87,227
Depreciation and amortization	9,425	4,735	32,400	—	228,012	12,669	—	240,681
Total expenses	197,506	118,240	868,616	(775,888)	4,984,165	719,967	(240,768)	5,463,364
Income (loss) from operations	(2,646)	(2,777)	44,165	—	145,452	16,054	—	161,506
Nonoperating revenue (expenses), net:								
Investment income (loss), net	(60)	9	145	—	442,491	7,051	—	449,542
Other, net	(114)	(827)	(1,318)	—	(8,630)	478	—	(8,152)
Total nonoperating revenue (expenses), net	(174)	(818)	(1,173)	—	433,861	7,529	—	441,390
Excess (deficiency) of revenue over expenses	(2,820)	(3,595)	42,992	—	579,313	23,583	—	602,896
Pension changes other than net periodic benefit cost	—	—	—	—	58,739	—	—	58,739
Net assets released from restriction for purchases of property and equipment	725	317	6,980	—	16,059	—	—	16,059
Net assets transferred	—	—	—	—	—	—	—	—
Other, net	(7,353)	(1,965)	(74,279)	—	14,440	(17,840)	1,366	(2,034)
Total other changes in net assets	(6,628)	(1,648)	(67,299)	—	89,238	(17,840)	1,366	72,764
Increase (decrease) in net assets without donor restrictions	(9,448)	(5,243)	(24,307)	—	668,551	5,743	1,366	675,660
Change in net assets with donor restrictions	(655)	(213)	(5,250)	—	(3,203)	(1,171)	936	(3,438)
Net assets (deficit), beginning of year	81,751	73,451	1,067,638	(125,000)	3,192,973	207,020	(139,391)	3,260,602
Net assets, end of year	$ 71,648	67,995	1,038,081	(125,000)	3,858,321	211,592	(137,089)	3,932,824

See accompanying independent auditors' report.