Hunterdon Healthcare System, Inc.
and Affiliates

Consolidated Financial Statements
and Supplementary Information

December 31, 2019 and 2018

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Independent Auditors' Report

To the Board of Trustees of
Hunterdon Healthcare System, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hunterdon Healthcare System, Inc. and Affiliates (the System), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's 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 audits 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 auditor's 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 consolidated financial position of Hunterdon Healthcare System, Inc. and Affiliates as of December 31, 2019 and 2018, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019, Hunterdon Healthcare System, Inc. and Affiliates adopted new accounting guidance related to the Financial Accounting Standards Board Accounting Standard Update No. 2016-02, *Leases (Topic 842)* and No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information presented on pages 39 to 56 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 audits 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.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
June 22, 2020

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2019 and 2018

Assets	**2019**	**2018**
Current Assets		
Cash and cash equivalents	$ 51,396,942	$ 32,243,330
Short-term investments	38,874,363	38,563,099
Patient accounts receivable	46,537,044	41,722,243
Assets whose use is limited	3,541,027	1,019,848
Inventories	3,910,459	1,902,040
Other receivables	2,085,559	3,050,220
Prepaid expenses and other current assets	8,133,590	5,283,627
Total current assets	154,478,984	123,784,407
Assets Whose Use is Limited (Exclusive of Current Portion)		
Board-designated funds	51,350,032	49,030,165
Donor-restricted assets	26,775,679	25,559,625
Total assets whose use is limited, net	78,125,711	74,589,790
Other Noncurrent Assets		
Due from affiliates	127,629	-
Property and equipment, net	161,848,404	169,515,622
Right-of-use assets, operating leases	28,831,811	-
Beneficial interest in trusts	2,935,656	2,549,890
Real estate held for investment	213,099	213,099
Investments	2,795,098	-
Investment in subsidiary	1,295,894	1,179,940
Goodwill	5,350,572	5,263,572
Other assets	20,330,274	16,356,038
Total other noncurrent assets	223,728,437	195,078,161
Total assets	$ 456,333,132	$ 393,452,358

Liabilities and Net Assets	**2019**	**2018**
Current Liabilities		
Accounts payable and accrued expenses	$ 26,965,662	$ 20,449,587
Accrued payroll and payroll taxes	16,572,939	15,269,620
Current portion of long-term debt and finance leases	3,082,668	2,801,781
Current portion of operating lease obligations	5,821,176	-
Accrued interest payable	1,041,756	1,046,035
Estimated third-party payor settlements, net	1,320,654	1,072,420
Other liabilities	78,749	88,326
Total current liabilities	54,883,604	40,727,769
Long-Term Liabilities		
Long-term debt and finance leases, net	75,577,616	75,962,645
Operating lease obligations, net	23,549,569	-
Due to affiliates	153,124	-
Other liabilities	12,860,157	10,678,432
Pension benefit liability	50,232,462	45,795,393
Estimated third-party payor settlements, net	4,914,370	6,573,052
Total long-term liabilities	167,287,298	139,009,522
Total liabilities	222,170,902	179,737,291
Net Assets		
Net assets without donor restrictions	200,532,666	178,081,659
Net assets with donor restrictions	31,881,410	34,051,170
Total net assets	232,414,076	212,132,829
Noncontrolling interests	1,748,154	1,582,238
Total liabilities and net assets	$ 456,333,132	$ 393,452,358

See notes to consolidated financial statements

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Operations
Years Ended December 31, 2019 and 2018

	2019	2018
Revenues		
Net patient service revenues	$ 356,216,775	$ 340,557,116
Other revenue	25,619,743	23,909,612
Net assets released from restrictions for operations	3,122,900	1,147,160
Total revenues	384,959,418	365,613,888
Expenses		
Salaries, wages and benefits	224,491,640	218,072,994
Physician fees	9,113,456	8,872,620
Supplies and services	113,633,589	113,252,945
Interest	3,010,229	2,998,462
Depreciation and amortization	22,114,164	19,557,084
Total expenses	372,363,078	362,754,105
Operating income	12,596,340	2,859,783
Nonoperating Revenues and Gains, Net	13,765,412	10,292,232
Excess of revenues and gains over expenses before provision (benefit) for income taxes	26,361,752	13,152,015
Provision (Benefit) for Income Taxes		
Federal	940,751	(271,452)
State	(48,965)	(86,130)
Total provision (benefit) for income taxes	891,786	(357,582)
Excess of revenues and gains over expenses and losses	25,469,966	13,509,597
Other Changes		
Change in net unrealized gains (losses) on investments, fixed income securities	1,267,768	(5,543,898)
Net assets released from restrictions for capital acquisitions	4,454,074	112,693
Pension-related changes other than net periodic pension cost	(6,495,493)	(10,979,727)
Other changes	(328,879)	(122,459)
Net income attributable to noncontrolling interests	(1,916,429)	(1,829,600)
Increase (decrease) in net assets without donor restrictions	$ 22,451,007	$ (4,853,394)

See notes to consolidated financial statements

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2019 and 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions		
Excess of revenues and gains over expenses and losses	$ 25,469,966	$ 13,509,597
Change in net unrealized gains (losses) on investment securities, fixed income securities	1,267,768	(5,543,898)
Net assets released from restrictions for capital acquisitions	4,454,074	112,693
Pension-related changes other than net periodic pension cost	(6,495,493)	(10,979,727)
Other changes	(328,879)	(122,459)
Net income attributable to noncontrolling interests	(1,916,429)	(1,829,600)
Increase (decrease) in net assets without donor restrictions	22,451,007	(4,853,394)
Changes in Net Assets With Donor Restrictions		
Contributions	1,513,825	1,583,857
Investment income from donor-restricted assets	310,444	302,931
Net realized gains on investment securities	481,187	688,777
Change in net unrealized gains (losses) on investment securities	2,715,992	(1,779,225)
Change in value of beneficial interest in trusts	385,766	(310,294)
Net assets released from restrictions	(7,576,974)	(1,259,853)
Decrease in net assets with donor restrictions	(2,169,760)	(773,807)
Increase (decrease) in net assets	20,281,247	(5,627,201)
Net Assets, Beginning	212,132,829	217,760,030
Net Assets, Ending	$ 232,414,076	$ 212,132,829

See notes to consolidated financial statements

	2019	2018 (As Adjusted)
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ 20,281,247	$ (5,627,201)
Adjustments to reconcile increase (decrease) in net assets provided by operating activities:		
Change in beneficial interest in trusts	(321,686)	954,403
Gain on sale of assets	(2,689,908)	(7,002)
Depreciation and amortization	22,114,164	19,557,084
Operating lease expense	6,330,356	-
Net realized and unrealized losses (gains) on investment securities	(9,667,135)	5,456,242
Net income attributable to noncontrolling interests	1,916,429	1,829,600
Accretion of bond premium, net of amortization of bond discount	(78,139)	(78,138)
Pension-related changes other than net periodic pension cost	6,495,493	10,979,727
Amortization of deferred financing Costs	36,923	36,922
Operating lease payments	(5,791,422)	-
Change in value of derivatives	83,104	(102,201)
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(4,814,801)	(7,936,348)
(Decrease) in estimated third-party payor settlements, net	(1,410,448)	(1,039,884)
Net change in other operating assets and liabilities	(2,985,202)	(7,251,490)
Net cash provided by operating activities	29,498,975	16,771,714
Cash Flows From Investing Activities		
Acquisition of property and equipment, net	(9,827,993)	(31,528,130)
Sales of assets whose use is limited and investments, net	9,135,539	11,216,427
Purchase of physician practices	-	(305,500)
Net cash used in investing activities	(692,454)	(20,617,203)
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	1,237,038	3,280,576
Repayment of long-term debt and capital lease obligations	(3,229,009)	(227,020)
Payment of annuity obligations	(9,577)	(16,877)
Distributions to noncontrolling interests	(1,750,513)	(1,890,021)
Net cash (used in) provided by financing activities	(3,752,061)	1,146,658
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	25,054,460	(2,698,831)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	35,550,161	38,248,992
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 60,604,621	$ 35,550,161
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 3,053,221	$ 3,000,735
Taxes paid	$ -	$ 551,000
Acquisitions of property and equipment through finance leases	$ 1,929,045	$ 638,164
Right of use assets obtained in exchange for operating lease obligations	$ 33,985,417	$ -
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 51,396,942	$ 32,243,330
Assets whose use is limited under bond indenture agreements, cash	1,021,027	1,019,848
Assets whose use is limited, donor-restricted cash	8,068,535	2,232,946
Beneficial interests in trusts, cash	118,117	54,037
	$ 60,604,621	$ 35,550,161

See notes to consolidated financial statements

1. Organization and Summary of Significant Accounting Policies

Organization

Hunterdon Healthcare System, Inc. and affiliates (the System) is organized and operated exclusively for charitable, scientific and educational purposes, and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code). More specifically, the System has the charitable purpose of supporting Hunterdon Medical Center (the Medical Center), a New Jersey not-for-profit acute care medical center, and any other qualifying members, in the performance of the Medical Center's charitable, educational, scientific and hospital purposes within Hunterdon County. It is anticipated that such support will improve the quality and diversity of healthcare delivered to the public in the region and contains consumer and governmental cost of such healthcare, through more efficient utilization and allocation of healthcare resources within the region.

The System was formed by the Board of Trustees of the Medical Center for the purpose of having direct control over its not-for-profit affiliates: the Medical Center and Affiliates, Hunterdon Healthcare Foundation (formerly the Hunterdon Medical Center Foundation, Inc.) (the Foundation) and Hunterdon Regional Community Health, Inc. and subsidiaries (HRCH). These affiliates are tax-exempt not-for-profit organizations under Section 501(c)(3) of the Code.

The System owns 100 percent of the outstanding stock of Midjersey Health Corporation (Midjersey), a for-profit entity. This subsidiary has been consolidated with the System. The System also owns 50 percent of the outstanding stock of Hunterdon Health Care, LLC, a for-profit entity. The System accounts for this subsidiary under the equity method.

In 2015, the Medical Center Board of Trustees authorized the creation of three professional corporations (Captive PCs); Hunterdon Primary Care, P.C., Hunterdon Specialty Care, P.C. and Hunterdon Urgent Care, P.C.

These Captive PCs, which are controlled by the Medical Center, employ certain physicians, nurse practitioners and physician assistants that were previously employed by the Medical Center directly. The Captive PCs became operational January 1, 2016 and provide services at primary care and specialty practices owned by the Medical Center.

In 2016, Hunterdon Ambulatory Services, LLC was created as a sole member LLC with the Medical Center being the sole member. It includes ambulatory nonprovider based diagnostic and therapeutic services. On December 1, 2019, HMC contributed approximately $2.1 million of assets of Hunterdon Ambulatory Services, LLC to a newly formed joint venture with Atlantic Health System, and recognized a gain on sale of assets of approximately $2.2 million. HMC has a 50 percent investment in the newly created joint venture. Also on December 1, 2019, Midjersey contributed approximately $2.7 million of assets of Bridgewater Ambulatory Surgery Center, LLC to a newly formed joint venture with Atlantic Health System, and recognized a gain on sale of assets of approximately $0.5 million. Midjersey has a 50 percent investment in the newly created joint venture.

The consolidated financial statements include the accounts of the parent company and its subsidiaries and affiliates. Intercompany transactions and balances have been eliminated.

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents and restricted cash and cash equivalents include cash on hand and highly liquid investments with an original maturity of 12 months or less.

The System has balances with financial institutions that exceed federal depository insurance limits. Management does not believe the credit risk related to these deposits to be significant.

Patient Accounts Receivable

The System assesses collectability on patient contracts prior to the recognition of net patient service revenues. Patient accounts receivable are recorded at net realizable value. Accounts are written off through bad debt expense when the System has exhausted all collection efforts and determines accounts are impaired based on changes in patient credit worthiness.

Net Patient Service Revenues

Net patient service revenues are recognized at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including commercial and governmental programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenues are recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenues for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospital receiving inpatient acute care services. The System measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenues for performance obligations satisfied at a point in time, which generally relates to patients receiving outpatient services, are recognized when goods or services are provided and the System does not believe it is required to provide additional services to the patient.

All of the System's performance obligations relate to contracts with a duration of less than one year, therefore the System has elected to apply the optional exemptions provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and as a result is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the System's policies and/or implicit price concessions provided to uninsured or underinsured patients. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The System determines its estimates of implicit price concessions based on its historical collection experience with a respective class of patient.

The System has elected the practical expedient allowed under FASB ASC 606-10-32-18 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 System'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 payor pays for that service will be one year or less. The System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. However, in these cases the financing component is not deemed to be significant to the contract.

Contributions Receivable

Contributions receivable are recognized as revenues in the period received. Contributions receivable are recorded at present value using discount rates ranging from 4.78 percent to 6.04 percent and are included in other receivables in the consolidated statements of financial position. At December 31, 2019 and 2018, net contributions receivable of approximately $1,712,000 and $1,783,000, respectively, were recorded. Approximately $408,583 of the gross contributions receivable is expected to be collected by December 31, 2020 and the remainder of the balance is expected to be collected during 2021 and beyond.

Inventories

Inventories are stated at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Investments and Assets Whose Use is Limited

Assets whose use is limited primarily includes assets held by trustees under indenture agreements; designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes; and donor-restricted assets. Amounts required to meet current liabilities of the System have been reclassified as current assets in the consolidated statements of financial position at December 31, 2019 and 2018.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investments in commingled funds are recognized at fair value as estimated by the external investment managers and is based on the net asset value of the funds. The System reviews and evaluates the net asset values provided by the external investment managers for reasonableness. Investment income or loss (including realized gains and losses on investments and interest and dividends) is included in excess of revenues and gains over expenses and losses unless donor stipulation or law restricts the income or loss. Gains and losses on the sale of investments are based on an identified cost basis. During 2018, unrealized gains and losses on investments are excluded from excess of revenues and gains over expenses and losses unless the investments are trading securities. In 2019, due to an accounting standard update, the Medical Center recorded unrealized gains and losses on investments without donor restrictions within the performance indicator. Donated investments are reported at fair value at the date of receipt.

A decline in the fair value below cost that is deemed to be other than temporary results in a reduction in the carrying amount to fair value. The impairment is charged to excess of revenues and gains over expenses and losses and a new cost basis for the security is established. There were no impairment losses at December 31, 2019 and 2018.

The System's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated statements of financial position are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Property and Equipment

Property and equipment are carried at cost, except donated assets which are recorded at fair market value at date of donation. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Depreciation expense is calculated on all depreciable assets, based on the straight-line method utilizing estimated useful lives ranging from 3 to 40 years.

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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated statements of financial position.

Leases and Right-of-Use Assets

Under Topic 842, the Corporation evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either financing or operating. All lease liabilities are measured as the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

Amortization of financing lease ROU assets, which is recognized on a straight-line basis over the lesser of the lease term and the estimated useful life of the asset, is included within depreciation and amortization expense in the consolidated statements of operations. Interest expense associated with financing lease obligations is included within interest expense in the consolidated statements of operations. Operating lease expense is recognized on a straight-line basis over the lease term and is included within supplies and services in the consolidated statements of operations. The lease term is determined based on the date the System acquires control of the leased premises through the end of the lease term. Optional renewal periods are initially not included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

Beneficial Interest in Trusts

Beneficial interest in trusts are arrangements whereby a donor establishes and funds a trust, and the assets are held in perpetuity or for a period of time, with the income earned distributed annually to the System for both restricted and unrestricted use. The System recognizes the contribution and receivable as net assets with donor restrictions, in the period the trust is established at its present value, which equals the fair value of the underlying assets. The fair value of these assets is based on the net asset value reported by the fund manager, which are reviewed by management for reasonableness. Adjustments to the trust to reflect changes in fair value are recognized as additional contributions to net assets with donor restrictions.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the terms of the related debt using the effective interest method. Deferred financing costs are reported as a direct reduction of long-term debt.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. The System tests goodwill annually for impairment or earlier upon the occurrence of certain events or substantive changes in circumstances that indicate goodwill is more-likely-than-not impaired. There were no triggering events during 2019 or 2018.

Self-Insured Health Benefits

The System is self-insured for employee health benefits. The provision for estimated employee health benefits includes estimates for the ultimate cost for both reported claims and claims incurred but not reported and is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Net Assets

Net assets, revenues, gains and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenues, gains and other support not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets with donor restrictions are those whose use by the System have been limited by donors to a specific time period or purpose. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Certain net assets with donor restrictions are required to be maintained by the System in perpetuity.

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 net assets with donor restrictions 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 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 operations as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported nonoperating revenues and gains. A number of unpaid volunteers contribute their time to the System and other affiliates of the System. The value of this contributed time is not reflected in the consolidated financial statements.

Charitable Gifts Annuities

Charitable gift annuities are arrangements between a donor and the Foundation in which a donor contributes assets to the Foundation, under the Foundation's gift annuity program, in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. The time period can be for the life of the donor or his/her designee. The assets received are recognized at fair value when received, and an annuity payment liability is recorded at the present value of future cash flows expected to be paid to the donor or his/her designee (based upon mortality tables and interest assumptions approved by the State of New Jersey). Contributions revenue is recognized as the difference between these two amounts. Contributions, investments and a liability to annuitants are recognized by the Foundation in the period in which the assets are donated. Adjustments to the annuity liability to reflect amortization of the discount and changes in the life expectancy of the donor or his/her beneficiary are recognized in the consolidated statements of operations.

Excess of Revenues and Gains Over Expenses and Losses

The consolidated statements of operations includes the determination of excess of revenues and gains over expenses and losses, which is the performance indicator. Changes in net assets without donor restrictions, which are excluded from the performance indicator consistent with industry practice, include unrealized gains and losses on fixed income investment securities (for 2019 only), permanent transfers of assets to and from affiliates for other than goods and services, pension-related changes other than net periodic pension cost, and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).

Measure of Operations

The System's operating income includes all unrestricted revenues and expenses. Nonoperating revenues and gains, net include unrestricted investment income and realized gains on investments, unrestricted contributions and change in value of derivatives. The consolidated statements of operations and changes in net assets reflects all operating revenues and expenses that are an integral part of the System's healthcare services and supporting activities and net assets released from donor restrictions to support operating expenditures. Changes in the performance indicator that are excluded from operating income, consistent with industry practice, include investment and dividend income, net periodic pension credit, net realized gains or losses on investments, change in value of derivative financial instruments, gain and loss on sale of assets in unusual business situations and change in net unrealized gains and losses on other than trading debt securities.

Other Revenue

Other revenue consists primarily of grant revenue, health and wellness center fees and service agreement fees. Midjersey has a service agreement for the operation of its MRI equipment and receives a monthly fee based on a performance calculation as detailed in the service agreement.

Estimated Malpractice Costs

The liability for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Anticipated insurance recoveries associated with reported claims are reported separately in the System's consolidated statements of financial position at net realizable value.

Derivative Instruments and Hedging Activities

Derivative financial instruments are employed to manage risks. The principal financial instruments used for cash flow hedging purposes are interest rate swaps. The System enters into interest rate swap agreements to manage its exposure to interest rate changes. The System recognizes all financial instruments in the consolidated statements of financial position at fair value. Changes in the fair value of derivatives are recognized either within the performance indicator or in other changes in net assets without donor restrictions, which is excluded from the performance indicator, depending on whether the derivative financial instrument qualifies for hedge accounting. Since the System's interest rate swaps do not qualify for hedge accounting, changes in the fair value of its interest rate swaps are reported within the performance indicator.

Income Taxes

The System, the Medical Center, the Foundation and HRCH, except for the two affiliates of HRCH mentioned below, are tax-exempt not-for-profit organizations under Section 501(c)(3) of the Code. Accordingly, these organizations are not subject to income taxes on income generating activities that are substantially related to their tax-exempt purposes or that are statutorily excluded from income tax for organizations exempt under Section 501(c)(3). Therefore, no provision for federal and state income taxes is required. The federal tax-exempt organization business income tax returns are no longer subject to examination by the Internal Revenue Service for years before 2016. Midjersey and two affiliates of HRCH, Hunterdon Regional Pharmacy (the Pharmacy) and Hunterdon Community Care (HCC), are taxable for-profit entities. These entities use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Certain items of income and expenses are recognized for income tax purposes in different periods from those periods in which such items are recognized for financial reporting purposes. These timing difference items include provisions for uncollectible fees and tax and book depreciation differences. Deferred tax assets and liabilities, if any, are provided for the tax effect of these differences.

The System recognizes income tax positions when it is more-likely-than-not that the position will be sustainable based on the merits of the position. Management has concluded that there are no material tax liabilities that need to be recorded.

Reclassifications

Certain reclassifications have been made to 2018 to conform with the 2019 presentation.

Subsequent Events

The System evaluated subsequent events for recognition or disclosure through June 22, 2020, the date the consolidated financial statements were issued.

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The System's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were issued. COVID-19 may impact various parts of the System's 2020 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel or supply chain disruption. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

In January 2020, the System executed a contract to acquire the physician practice "Your Doctors Care, PA". The purchase price was $2,050,000 which is to be made in two installments; January 2020 and January 2021.

New Accounting Standards

Effective January 1, 2019, the System adopted the FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (as amended) (Topic 842).* ASC 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial position and disclosing key information about leasing arrangements. Under the provisions of ASC 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the consolidated statement of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the System's leasing activities.

The System elected the option to apply the transition requirements at the effective date of January 1, 2019, which the effects of initially applying ASU No. 2016-02 (as amended) recognized as a cumulative-effect adjustment to net assets without donor restrictions in the period of adoption. Consequently, the consolidated financial statements and disclosures required under ASC 842 have not been updated as of and for year ended December 31, 2018. The System also elected the package of practical expedients, which permits it to not reassess it prior conclusions about lease identification, classification and initial direct costs. In addition, the System elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

The adoption of ASU No. 2016-02 had a material effect on the System's consolidated financial statements. The most significant effects relate to the recognition of new right-of-use assets and lease liabilities on its consolidated statements of financial position for operating leases and providing significant new disclosures about leasing activities. Upon adoption, the System recognized operating lease liabilities of $33,985,417 based on the present value of the remaining minimum rental payments as determined in accordance with Topic 842 for leases that had historically been accounted for as operating leases under Topic 840. The System recognized the corresponding right-of-use assets of $33,985,417 based on the operating lease liabilities. The System has made the transition-specific election to apply the package of practical expedients which allows for the carryforward of historical assessments of (i) whether contracts are or contain leases, (ii) the lease classification and (iii) initial direct costs. Certain other accounting policy elections and quantitative and qualitative information pertaining to the System's adoption of ASU 2016-02 are described in Note 11.

In 2019, the System retrospectively adopted FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The amendments in this update require that a statement of cash flows explain the change during the year in total of cash, cash equivalents and amounts generally described as restricted cash and cash equivalents. Amounts generally described as restricted cash and cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows.

The following line items on the consolidated statement of cash flows for the year ended December 31, 2018 were affected by this change in accounting principle:

	As Previously Reported	As Reported Under ASU No. 2016-18	Effect of Change
Change in beneficial interest in trusts	$ 900,366	$ 954,403	$ 54,037
Net cash provided by operating activities	16,680,755	16,771,714	90,959
Sales (purchases) of assets use is limited and short-term investments, net	10,015,264	11,216,427	1,201,163
Net cash used in investing activities	(21,818,366)	(20,617,203)	1,201,163
Net decrease in cash and cash equivalents and restricted cash and cash equivalents	-	(2,698,831)	(2,698,831)
Cash and cash equivalents and restricted cash and cash equivalents, beginning	-	38,248,992	38,248,992
Cash and cash equivalents and restricted cash and cash equivalents, ending	-	35,550,161	35,550,161
Net decrease in cash and cash equivalents	(3,954,031)	-	3,954,031
Cash and cash equivalents, beginning	36,197,361	-	(36,197,361)
Cash and cash equivalents, ending	32,243,330	-	(32,243,330)

In 2019, the System adopted FASB ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* The provisions of ASU No. 2016-01: (a) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in the performance indicator; (b) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (c) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the consolidated statements of financial position. The System has adjusted the presentation of these consolidated financial statements accordingly.

The new standard changed the consolidated statement of operations and by recognizing unrealized gains and losses on investments as a component of both nonoperating revenues and the performance indicator in 2019. The adoption of ASU 2016-01 did not result in a change in the System's net assets as of January 1, 2019.

Prior to the adoption of ASU No. 2016-01, unrealized gains and losses on the System's equity investments were excluded from its performance indicator. ASU No. 2016-01 does not allow for the restatement of the System's 2018 consolidated financial statements for the impact of the new standard. As a result, comparability of total nonoperating revenues and excess of revenues and gains over expenses and losses from 2019 to 2018 have been affected.

During August 2018, the FASB issued ASU No. 2018-14, Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans. The provisions of ASU No. 2018-14 modifies and clarifies the required disclosures for employers that sponsor defined benefit pension or other postretirement plans. These amendments remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant. ASU No. 2018-14 is effective for fiscal years ending after December 15, 2021. Early adoption is permitted. The System is currently assessing the effect that ASU No. 2018-14 will have on its results of operation, financial position and cash flow.

2. Charity and Uncompensated Care

In furtherance of its charitable purpose, the System provides a wide variety of benefits to the community, including offering various community-based social service programs, such as health screenings, training for emergency service personnel, social service and support counseling for patients and families, pastoral care and crisis intervention. Additionally, a large number of health-related educational programs are provided for the benefit of the community, including health enhancements and wellness, classes on specific conditions, telephone information services and costs related to programs designed to improve the general standards of the health of the community.

The Medical Center and HRCH provide medical care without charge or at reduced costs to residents of its community who meet the criteria under the state regulation for charity care. The definition of charity care includes services provided at no charge or at a reduced charge to patients who are uninsured or underinsured. The Medical Center and HRCH maintain records to identify and monitor the level of charity care it provides. These records support the amount of charges foregone from services and supplies furnished under its charity care policy. Because the Medical Center and HRCH do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. An overall cost to charge ratio was applied to arrive at the cost of charity care. As a result, the cost of providing charity care was $4,663,046 and $3,491,061 in 2019 and 2018, respectively.

The State of New Jersey provides certain subsidy payments to qualified hospitals to partially fund uncompensated care and certain other costs. Subsidy payments recognized as revenues amounted to $317,892 and $318,836 for 2019 and 2018, respectively, and are included in other revenue in the accompanying consolidated statements of operations.

3. Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A significant portion of the System's net patient service revenue is derived from these third-party payor programs. A summary of the principal payment arrangements with major third-party payors follows:

- **Medicare:** Inpatient acute care, psychiatric and rehabilitation services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. In addition, the System is reimbursed for certain cost reimbursable items at tentative interim rates, with final settlement determined after submission of annual costs reports and audits thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been settled through December 31, 2015.

- **Medicaid:** Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge based on severity of illness. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services are paid based on a published fee schedule. The Medical Center's Medicaid cost reports have been settled through December 31, 2016.

- **Blue Cross:** Inpatient acute care services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services are reimbursed based on ambulatory payment classifications.

- **Other Payors:** The System has also entered into payment arrangements with certain managed care and commercial insurance carriers, Medicare and Medicaid managed care insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the System. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known. (that is, new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Net patient service revenues include favorable adjustments of approximately $1,834,000 and $860,000 in 2019 and 2018, respectively, related to tentative and/or final settlements of prior year cost reports and other third-party payor adjustments.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients, and offers those uninsured or underinsured patients a discount, either by policy or law, from standard charges. The System 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 charges by any contractual adjustment, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as an adjustment to net patient service revenues in the period of the change. For the years ended December 31, 2019 and 2018, the impact of changes in estimates of implicit price concessions, discounts and contractual adjustments used to determine the transaction price was immaterial to the consolidated financial statements. 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.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

The System disaggregates revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

The composition of patient care service revenues by primary payor for the years ended December 31 is as follows:

	2019	2018
Medicare and Medicare managed care	$ 113,531,930	$ 109,310,368
Medicaid and Medicaid managed care	23,016,269	22,234,862
Aetna	55,100,485	50,235,970
Blue Cross, all products except Medicaid/Medicare	101,295,715	94,372,260
Self-pay/uninsured	3,968,743	4,313,538
Other third-party commercial	59,303,633	60,090,118
Total	$ 356,216,775	$ 340,557,116

Revenues from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor. The composition of patient care service revenues by type of service for the years ended December 31 is as follows:

	2019	2018
Inpatient	$ 87,928,748	$ 88,464,169
Outpatient	199,601,242	191,887,041
Physician services	68,686,785	60,205,906
Total	$ 356,216,775	$ 340,557,116

The System has not further disaggregated other revenue as the economic factors affecting the nature, timing, amount and uncertainty of revenues and cash flows do not significantly vary within the revenues category.

4. Short-Term Investments and Assets Whose Use is Limited

The composition of short-term investments and assets whose use is limited at December 31, 2019 and 2018 is set forth in the following table:

	2019	2018
Investments:		
Cash and cash equivalents	$ 398,010	$ 156,637
Certificates of deposit	1,701,745	2,921,248
Government bonds	2,696,195	1,475,171
Investment-grade corporate bonds	33,544,308	33,337,350
Mutual funds, fixed income	1,534,180	622,666
Mutual funds, domestic equity	1,360,316	-
Mutual funds, international equity	409,552	-
Accrued interest receivable	25,155	50,027
Total	41,669,461	38,563,099
Less current portion	38,874,363	38,563,099
Non-current portion of investments	$ 2,795,098	$ -
Assets whose use is limited:		
Board-designated funds:		
Cash and cash equivalents	$ 3,933,699	$ 4,883,882
Certificates of deposit	2,827,818	2,749,569
Mutual funds, international equity	7,049,172	6,530,277
Mutual funds, fixed income	15,115,815	15,780,371
Mutual funds, domestic equity	22,398,516	19,041,383
Accrued interest receivable	25,012	44,683
Total	51,350,032	49,030,165
Donor-restricted assets:		
Cash and cash equivalents	8,068,535	2,232,946
Commingled funds, U.S. large cap equities	6,249,873	4,722,379
Commingled funds, U.S. bonds	3,985,709	3,831,296
Mutual funds, international equity	2,413,440	2,566,944
Mutual funds, fixed income	2,957,592	4,835,088
Mutual funds, domestic equity	5,620,530	7,370,972
Total	29,295,679	25,559,625
Funds held by trustee under bond indenture agreement:		
Cash and cash equivalents	1,021,027	1,019,848
Total assets whose use is limited	81,666,738	75,609,638
Less current portion	3,541,027	1,019,848
Noncurrent portion of assets whose use is limited	$ 78,125,711	$ 74,589,790

Investment return consists of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends, net	$ 2,450,024	$ 2,301,403
Net realized gains on the sale of investments	1,301,599	1,866,881
Change in net unrealized gains (losses) on investment securities	8,365,536	(7,323,123)
Total	$ 12,117,159	$ (3,154,839)

5. Fair Value Measurements and Financial Instruments

The System measures its short-term investments and assets whose use is limited on a recurring basis in accordance with GAAP.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the System for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The following tables present financial instruments measured at fair value at December 31, 2019 and 2018:

	Fair Value as of December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Short-term investments:				
Certificates of deposit	$ 1,701,745	$ 1,701,745	$ -	$ -
Government bonds	2,696,195	-	2,696,195	-
Investment-grade corporate bonds	33,544,308	-	33,544,308	-
Mutual funds, fixed income	719,613	719,613	-	-
Long-term investments:				
Mutual funds, fixed income	409,552	409,552	-	-
Mutual funds, domestic equity	814,567	814,567	-	-
Mutual funds, international equity	1,360,316	1,360,316	-	-
Assets whose use is limited:				
Certificates of deposit	2,827,818	2,827,818	-	-
Mutual funds, international equity	9,462,612	9,462,612	-	-
Mutual funds, fixed income	18,073,407	18,073,407	-	-
Mutual funds, domestic equity	28,019,046	28,019,046	-	-
Beneficial interest in trusts	2,935,656	-	-	2,935,656
Total assets in the fair value hierarchy	102,564,835	$ 63,388,676	$ 36,240,503	$ 2,935,656
Assets recorded at net asset value (a)	10,235,582			
Cash and cash equivalents	13,471,438			
Total assets at fair value	$ 126,271,855			
Liabilities:				
Swap agreements	$ 246,391	$ -	$ 246,391	$ -

	Fair Value as of December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Short-term investments:				
Certificates of deposit	$ 2,921,248	$ 2,921,248	$ -	$ -
Government bonds	1,475,171	-	1,475,171	-
Investment-grade corporate bonds	33,337,350	-	33,337,350	-
Mutual funds, fixed income	622,666	622,666	-	-
Assets whose use is limited:				
Certificates of deposit	2,749,569	2,749,569	-	-
Mutual funds, international equity	9,097,221	9,097,221	-	-
Mutual funds, fixed income	20,615,459	20,615,459	-	-
Mutual funds, domestic equity	26,412,355	26,412,355	-	-
Beneficial interest in trusts	2,549,890	-	-	2,549,890
Total assets in the fair value hierarchy	99,780,929	$ 62,418,518	$ 34,812,521	$ 2,549,890
Assets recorded at net asset value (a)	8,553,675			
Cash and cash equivalents	8,388,023			
Total assets at fair value	$ 116,722,627			
Liabilities:				
Swap agreements	$ 163,287	$ -	$ 163,287	$ -

(a) In accordance with ASU No. 2015-07, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

Investments Measured Using NAV per Share Practical Expedient

Commingled funds are valued at the quoted net asset value (NAV) of shares held by the System at year-end. The NAV, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Purchases and sales may occur daily.

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The following table summarizes investments for which fair value is measured using NAV per share practical expedient as of December 31, 2019 and 2018, respectively.

	December 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
State Street Passive Bond Market Index Strategy	$ 3,985,709	N/A	Daily	30 days
S&P 500 Index Strategy	2,092,243	N/A	Daily	30 days
State Street FTSE RAFI U.S. 1000 Index	4,157,630	N/A	Daily	30 days
Total NAV investments	$ 10,235,582			

	December 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
State Street Passive Bond Market Index Strategy	$ 3,831,296	N/A	Daily	30 days
S&P 500 Index Strategy	1,594,246	N/A	Daily	30 days
State Street FTSE RAFI U.S. 1000 Index	3,128,133	N/A	Daily	30 days
Total NAV investments	$ 8,553,675			

Fair Value of Financial Instruments

The carrying amounts of certificates of deposit approximate fair value at December 31, 2019 and 2018 due to the short maturity of those financial instruments.

Mutual funds are valued at the quoted NAV of shares held by the System at year-end.

Government bonds and investment-grade corporate bonds are valued at fair value, which are the amounts reported in the consolidated statements of financial position, based on quoted market prices, if available, or estimated using quoted market process of similar securities.

Beneficial interest in trusts is valued using discounted cash flow methodologies.

The fair value of the interest rate swap derivative financial instruments are determined by an independent third-party valuation specialist based on proprietary models of discounted cash flow. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and the credit risk of the System. The value represents the estimated exit price the System would pay or receive upon termination of the agreements.

Changes to the beneficial interest in trusts in 2019 and 2018 were as follows:

	2019	2018
Balance, beginning	$ 2,549,890	$ 3,450,256
Investment income from beneficial interest in trusts	35,509	24,175
Distributions from beneficial interest in trusts	(76,254)	(675,139)
Change in value of beneficial interest in trusts	426,511	(249,402)
Balance, ending	$ 2,935,656	$ 2,549,890

6. Property and Equipment

Property and equipment at December 31, 2019 and 2018 consist of the following:

	2019	2018
Land	$ 6,876,849	$ 6,876,849
Land improvements	7,932,624	7,905,788
Buildings	161,772,458	156,370,361
Leasehold improvements	24,803,757	24,891,325
Fixed equipment	47,906,827	50,616,166
Major moveable equipment	186,913,450	175,854,676
Minor equipment	51,244	51,244
Construction in progress	3,764,867	4,957,900
	440,022,076	427,524,309
Less accumulated depreciation and amortization	278,173,672	258,008,687
Total	$ 161,848,404	$ 169,515,622

7. Long-Term Debt and Finance Lease Obligations

Long-term debt at December 31, 2019 and 2018 consists of the following:

	2019	2018
New Jersey Health Care Facilities Financing Authority (Authority) Revenue and Refunding Bonds, Series 2014A, Serial Bonds, payable annually through July 1, 2030, bearing interest at a rate of 5% (a)	$ 1,845,000	$ 1,845,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2031, bearing interest at a rate of 5% (a)	1,940,000	1,940,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2032, bearing interest at a rate of 5% (a)	2,035,000	2,035,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2033, bearing interest at a rate of 5% (a)	2,140,000	2,140,000

	2019	2018
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2034, bearing interest at a rate of 5% (a)	$ 2,245,000	$ 2,245,000
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2036, bearing interest at a rate of 4% (a)	4,805,000	4,805,000
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2045, bearing interest at a rate of 5% (a)	18,225,000	18,225,000
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2045, bearing interest at a rate of 4% (a)	9,500,000	9,500,000
Authority Refunding Bonds, Series 2014B, payable monthly through December 1, 2029, bearing interest at a fixed rate of 2.44% (a)	16,260,000	16,260,000
Authority Refunding Bonds, Series 2014C, payable monthly through December 1, 2019, bearing interest at a variable rate of 2.43% (a)	-	1,348,735
Authority Refunding Bonds, Series 2014D, payable monthly through December 1, 2034, bearing interest at a variable rate of 2.59% (a)	3,995,260	4,194,438
Term Loan with an interest rate equal to one-month LIBOR until principal commencement date of September 21, 2017 converting to a fixed interest rate of 3.5% thereafter, guaranteed by Hunterdon Medical Center, payable monthly through May 2036 (b)	9,233,724	9,644,011
Note payable with interest calculated at 4.00%, payable in 60 installments consisting of principal and interest through December 2022	114,460	149,666
Note payable with interest calculated at 4.00%, payable in 60 installments consisting of principal and interest through December 2022	78,930	117,996
New Jersey Economic Development Authority Energy Resilience Bank (ERB) loan promissory note payable upon completion of COGEN project (accruable up to $9,527,715 (d))	1,237,038	-
	73,654,412	74,449,846
Less current portion due within one year	2,113,321	1,986,717
Long-term debt, excluding deferred financing costs, bond premium and original issue discount	71,541,091	72,463,129
Less deferred financing costs	489,014	525,937
Plus unamortized bond premium, net of discount	1,953,439	2,031,578
Long-term portion	$ 73,005,516	$ 73,968,770

(a) On December 1, 2014, the Medical Center issued $42,735,000 of Revenue and Refunding Bonds, Series 2014A (Series 2014A bonds) pursuant to a loan agreement between the Medical Center and the Authority. The Series 2014A bonds include $10,205,000 of Serial Bonds maturing July 1, 2030 through 2034, bearing interest at 5 percent and $32,530,000 of Term Bonds maturing July 1, 2036 through 2045, with interest ranging from 4 percent to 5 percent. Interest is payable semiannually on July 1 and January 1.

The Medical Center also entered into a Master Trust Indenture and First Supplemental Indenture, both dated as of December 1, 2014 (Master Trust Indenture), with U.S. Bank National Association, as Master Trustee in connection with the issuance of the Series 2014A bonds. As security for the repayment of the bonds, the Medical Center has granted a security interest in and a first lien on its gross revenues. The Master Trust Indenture requires the Medical Center to comply with certain covenants and ratios.

Proceeds from the Series 2014A bonds were used to refund and redeem the Series 2006A bonds and approximately $15,204,000 of 2014 bonds issued by the Authority on January 1, 2014; to finance a portion of the costs of various capital improvements to the Medical Center's acute care facility; and to pay costs of issuance of the Series 2014A bonds.

The Medical Center also issued $16,260,000, $6,360,000 and $4,935,000 of Refunding Bonds, Series 2014B, C and D, respectively, (Series 2014B-D bonds) pursuant to a loan agreement between the Medical Center and the Authority on December 1, 2014. The Series 2014B-D bonds were special and limited obligations of the Authority, payable in monthly installments ranging from $29,000 to $153,000 from January 2016 to December 2034.

TD Bank N.A. (the Bank) purchased the Series 2014B-D Bonds pursuant to a Direct Bond Purchase Agreement dated December 23, 2014. The Medical Center has entered into a Continuing Covenants Agreement with the Bank which requires the Medical Center to comply with certain covenants and ratios.

Proceeds from the Series 2014B and C bonds were used to refund and redeem the Series 2006B bonds and Series 2009 bonds, respectively, and the proceeds from the Series 2014D bonds were used to refinance an existing bank loan issued by Midjersey.

Effective December 11, 2009, the Medical Center entered into an interest rate swap exchange agreement with TD Bank, N.A. On December 23, 2014, the Medical Center entered into a novation agreement with TD Bank, N.A. and the Toronto-Dominion Bank for the interest rate swap. The Toronto-Dominion Bank replaced TD Bank, N.A. as the counterparty, under this agreement. The novated swap agreement has a notional amount of $1,459,353 and requires the Medical Center to pay a fixed rate of 2.21 percent to the bank in exchange for the bank agreeing to pay the Medical Center a variable rate equal to 69 percent of one-month LIBOR. This interest rate swap exchange agreement matured during 2019.

Effective December 23, 2014, the Medical Center entered into a novation agreement with TD Bank, N.A. and the Toronto-Dominion Bank. Under this agreement, an interest rate swap was transferred from Midjersey to the Medical Center and The Toronto-Dominion Bank replaced TD Bank, N.A. as the counterparty. The novated swap agreement has a notional amount of $4,012,284 and requires the Medical Center to pay a fixed rate of 1.5 percent to the bank in exchange for the bank agreeing to pay the Medical Center a variable rate equal to 69 percent of one-month LIBOR (1.67 percent at December 31, 2019).

At December 31, 2019 and 2018, the fair value of the derivative financial instruments is $(246,391) and $(163,287), respectively, and is included in other liabilities in the accompanying consolidated statements of financial position. The change in fair value recognized during the years ended December 31, 2019 and 2018, in the amount of $(83,104) and $102,201, respectively, is recorded in the consolidated statements of operations and is included in the performance indicator.

(b) On May 13, 2016, Midjersey entered into a loan agreement with Fulton Bank of New Jersey to finance leasehold improvements in the System's secondary service area. These leasehold improvements include the fit-out of several physician practices which will be operated by the Medical Center. On behalf of Midjersey, the Medical Center is the guarantor of the loan. The guaranty is limited to $10,200,000 in principal, together with any scheduled interest thereon and shall continue to be effective for the life of the loan, currently a term of twenty years. At December 31, 2019 and 2018, the outstanding loan balance was $9,233,724 and $9,644,011, respectively.

(c) The Medical Center has a $6,000,000 and a separate $7,000,000 unsecured lines of credit with TD Bank. The interest rate is 4.75 percent and 5.5 percent at December 31, 2019 and 2018, respectively, and the term was extended to December 31, 2020. There are no amounts outstanding on the lines of credit as of December 31, 2019 and 2018.

(d) On December 21, 2018, the Medical Center entered into a funding agreement with the New Jersey Economic Development Authority to construct a one and a half megawatt natural gas-fired combined heat and power plant on its campus. As part of the agreement, the Medical Center obtained a $9,527,715 loan from the New Jersey Energy Resilience Bank (the ERB Loan) bearing interest at 2 percent. During 2019, the Medical Center drew down $1,237,038 on the loan.

Principle payments are due beginning the first day of the seventh month following the project completion date and monthly thereafter for 12 years.

Future principal debt payments at December 31, 2019 are as follows:

Years ending December 31:	
2020	$ 2,113,321
2021	2,191,355
2022	2,253,366
2023	2,279,641
2024	2,274,297
Thereafter	62,542,432
Total	$ 73,654,412

Finance Leases

Finance leases, included in current portion of long-term debt and long-term debt in the accompanying consolidated statements of financial position at December 31, 2019 and 2018 consist of the following:

	2019	2018
TD Equipment Finance/Equipment (a)	$ 1,780,516	$ 2,272,805
US Bank/Beds (b)	1,543,236	-
TD Equipment Finance/Davinci Robot (c)	-	105,178
Karl Storz Capital (d)	-	148,584
AMO Sales (e)	200,649	250,281
Olympus Financial (f)	17,046	32,091
Subtotal	3,541,447	2,808,939
Less portion due within one year	969,347	815,064
Long-term portion	$ 2,572,100	$ 1,993,875

(a) During 2018, the Medical Center entered into a finance lease with TD Equipment Finance for an MRI system, an Ultrasound and other radiology equipment. The term of the lease is five years with a total monthly lease payment of $47,419, including interest, beginning May 31, 2018. The lease includes interest at 3.746 percent and a purchase option of $1 at the end of the lease term.

(b) During 2019, the Medical Center entered into a finance lease with US Bank for beds. The terms of both leases is five years with a total yearly rent payments of $385,809, which does not include interest, required yearly beginning December 1, 2019. There is a purchase option of $1 at the end of the term.

(c) During 2014, the Medical Center entered in a capital lease with TD Equipment Finance for a Davinci Surgical System. The term of the lease is five years with a total monthly lease payment of $26,406, including interest, beginning May 1, 2014. The lease includes interest at 2.25 percent and a purchase option of $10 at the end of the term. This finance lease agreement matured during 2019.

(d) During 2018, Bridgewater Ambulatory Surgery Center entered into a capital lease with Karl Storz Capital for Urology & GYN instruments. The term of the lease is 18 months with a total monthly lease payment of $15,745, including interest, beginning April 30, 2018. The lease includes interest at 4.05 percent and a purchase option of $1 at the end of the lease term. This finance lease agreement matured during 2019.

(e) During 2018, Bridgewater Ambulatory Surgery Center entered into a capital lease with AMO Sales for two microscopes. The terms of the lease are five years with a total quarterly lease payment of $15,334, including interest, beginning May 19, 2018. The leases include interest at 3.08 percent and a purchase option of $1 each at the end of the terms.

(f) During 2018, Bridgewater Ambulatory Surgery Center entered into a capital lease with Olympus Financial for various medical instruments. The terms of the lease is three years with a total monthly lease payment of $1,335, including interest, beginning February 15, 2018. The leases include interest at 4.07 percent and a purchase option of $1 each at the end of the terms.

8. Pension Plans

Defined Benefit Pension Plan

The Medical Center sponsors a noncontributory defined benefit pension plan (the Plan) that covers all eligible employees. The plan provides for benefits to be paid to eligible employees at retirement, based primarily upon years of service and compensation. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The Medical Center's funding policy is to contribute annually an amount equal to or greater than the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The Medical Center uses a December 31 measurement date. In November 2013, the Board of Trustees approved an amendment to freeze the Plan effective January 15, 2014.

The Medical Center recognizes the funded status of the benefit plan, which is measured as the difference between plan assets at fair value and the benefit obligation, in the consolidated statements of financial position. Additionally, the Medical Center recognizes changes in the funded status of the Plan in the year in which the changes occur through a separate line within changes in net assets without donor restrictions, apart from expenses, to the extent those changes are not included in the net periodic benefit cost.

The following tables set forth the plan's funded status, amounts recognized in the consolidated statements of financial position and components of net periodic pension cost for 2019 and 2018:

	2019	2018
Change in benefit obligation:		
Benefit obligation, beginning	$ 238,867,952	$ 259,584,010
Interest cost	9,177,906	8,199,550
Amendments/curtailments/special termination benefits	1,545,177	-
Benefits paid	(12,575,932)	(8,445,328)
Actuarial loss (gain)	32,851,080	(20,470,280)
Benefit obligation, ending	269,866,183	238,867,952
Change in plan assets:		
Fair value of plan assets, beginning	193,072,559	217,622,881
Actual return (loss) on plan assets	39,137,094	(16,104,994)
Benefits paid	(12,575,932)	(8,445,328)
Fair value of plan assets, ending	219,633,721	193,072,559
Funded status	$ (50,232,462)	$ (45,795,393)
Accumulated benefit obligation	$ 269,866,183	$ 238,867,952
Amounts recognized as changes in net assets without donor restrictions consist of:		
Net actuarial loss	$ 90,150,322	$ 83,654,829
Weighted average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.19 %	4.20 %
Rate of compensation increases	N/A	N/A
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	4.20 %	3.56 %
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increases	N/A	N/A
Components of net periodic benefit cost:		
Interest cost	$ 9,177,906	$ 8,199,550
Expected return on plan assets	(15,043,361)	(17,041,986)
Effect of special termination benefits	1,545,177	-
Amortization of unrecognized actuarial loss	2,261,854	1,696,973
Net periodic benefit (credit) cost	$ (2,058,424)	$ (7,145,463)
Amounts recognized as changes in net assets without donor restrictions consist of:		
Net actuarial loss	$ 6,495,493	$ 10,979,727

The actuarial loss of $32,851,080 in 2019 is primarily attributed to a decrease in the discount rate. During 2019, the Plan was amended to offer select employees an option to retire early, which resulted in additional incurred liabilities of $1,545,177.

The estimated net actuarial loss that is expected to be amortized from other changes in net assets without donor restrictions into net pension cost for the year ending December 31, 2020 is $2,416,362.

The expected long-term rate of return on pension assets is selected by taking into account the expected duration of the projected benefit obligation (PBO) for the plan and the asset mix of the plan. The rate of return is expected to be the rate earned over the period until the benefits represented by the current PBO are paid. The expected return on plan assets is based on the Medical Center's expectation of historical long-term average rates of return on the different asset classes held in the pension fund. This is reflective of the current and projected asset mix of the funds and considers the historical returns earned on the Medical Center's asset allocation and the duration of the plan liabilities. Thus, the Medical Center has taken a historical approach to the development of the expected return on asset assumption. The Medical Center believes the fundamental changes in the markets cannot be predicted over the long-term. Rather, historical returns, realized across numerous economic cycles, should be representative of the market return expectations applicable to the funding of a long-term benefit obligation.

Actual year-by-year returns can deviate substantially from the long-term expected return assumption. However, over time it is expected that the amount of over-performance will equal the amount of under-performance.

The fair value hierarchy for the Medical Center's pension plan assets at December 31, 2019 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Pension assets:				
Mutual funds, domestic fixed income	$ 78,851,775	$ 78,851,775	$ -	$ -
Mutual funds, domestic equity	84,182,578	84,182,578	-	-
Mutual funds, international equity	55,623,499	55,623,499	-	-
Total assets in the fair value hierarchy	218,657,852	$ 218,657,852	$ -	$ -
Cash and cash equivalents	975,869			
Total assets at fair value	$ 219,633,721			

The fair value hierarchy for the Medical Center's pension plan assets at December 31, 2018 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Pension assets:				
Mutual funds, domestic fixed income	$ 77,478,553	$ 77,478,553	$ -	$ -
Mutual funds, domestic equity	69,443,330	69,443,330	-	-
Mutual funds, international equity	45,235,732	45,235,732	-	-
Total assets in the fair value hierarchy	192,157,615	$ 192,157,615	$ -	$ -
Cash and cash equivalents	914,944			
Total assets at fair value	$ 193,072,559			

The Medical Center's pension plan weighted average asset allocations at December 31, 2019 and 2018, by asset category, are as follows:

Asset Category	2019 Target Allocations	2019	2018 Target Allocations	2018
Mutual funds invested in equity securities	60 %	64 %	60 %	63 %
Mutual funds invested in debt securities	40	36	40	37
		100 %		100 %

In determining the asset allocation, the Medical Center's investment manager recognizes its desire for funding and expense stability, the long-term nature of the pension obligation and current and projected cash needs for retiree benefit payments. An asset allocation analysis is performed to determine the long-term targets for the major asset classes of equity, debt and cash using an efficient frontier model. The asset allocation is reviewed quarterly and rebalanced if the variance to the targets exceeds 2.5 percent.

The Medical Center does not expect to contribute to the Plan during 2020.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years ending December 31:	
2020	$ 11,155,649
2021	12,116,478
2022	13,035,227
2023	13,622,072
2024	13,977,502
Thereafter	74,327,454

Deferred Compensation and Life Insurance Plans

In addition to the defined benefit plan, the Medical Center also provides a deferred compensation plan for certain employees and physicians. At December 31, 2019 and 2018, the assets related to this plan are included in other assets and the related liability is included in other liabilities in the amount of $2,162,249 and $2,090,678, respectively.

In addition, certain of the Medical Center's key employees participate in a split dollar life insurance plan. Under the insurance policy, all premium payments are divided between the participant's portion and the Medical Center's portion. Any withdrawal or death benefit must first be used to repay the Medical Center's portion of the policy. At December 31, 2019 and 2018, the assets related to this plan are included in other assets in the amount of $4,891,279 and $4,259,829, respectively.

Defined Contribution Pension Plan

On January 1, 2010, the System established the Hunterdon Healthcare 403(B) Retirement Savings Plan. Certain System employees are eligible for participation in the plan. The System will make a core annual contribution between 2 percent and 4 percent of each employee's annual compensation based on years of service and a 50 percent match of each employee's annual individual contribution to the plan to a maximum of 2 percent. Total expense recorded by the System for contributions into the plan in 2019 and 2018 was approximately $5,908,000 and $4,746,000, respectively.

9. Noncontrolling Interests in Joint Ventures

At December 31, 2019, Midjersey holds a 43 percent interest in Hunterdon Center for Surgery LLC (HCS); a 67 percent interest in Hunterdon Imaging Associates (HIA); a 100 percent interest in Delaware Valley Office Associates, Inc. (DVOA), which became wholly owned in 2018; and a 50 percent interest in Bridgewater Ambulatory Surgery Center, LLC (BASC) and a 50 percent interest in Hunterdon Ambulatory Services, LLC (HAS). Noncontrolling interest in joint ventures, as stated in the consolidated statements of financial position, represents the noncontrolling partners' share in the equity of HCS and HIA. BASC and HAS are accounted for under the equity method of accounting. The HAS and BASC joint ventures were created on December 1, 2019.

10. Professional and Patient Care Liability Insurance

The System has annually purchased a claims-made professional liability insurance policy, which provides coverage of $1,000,000 per occurrence and $3,000,000 annual aggregate. In addition, the System has purchased an additional layer of insurance above the base policy of $15,000,000. Beginning July 1, 2015, the System's professional liability insurance policy includes a deductible of $100,000 per occurrence and a $300,000 annual aggregate. Each individual employed physician is provided individual coverage in the amount of $3,000,000 per occurrence and $5,000,000 annual aggregate through a group purchased policy. Employed physicians are not covered by the System's policy or additional layer of insurance. The System has estimated losses and recorded an undiscounted liability of approximately $452,000 and $717,000 at December 31, 2019 and 2018, respectively, relating to unasserted claims and incidents not yet reported to the insurance carrier, which are included in other liabilities in the accompanying consolidated statements of financial position. In addition, the System has recorded a receivable (included in other assets), and related claim liability (included in other liabilities), for anticipated insurance recoveries of approximately $2,666,000 and $2,266,000 at December 31, 2019 and 2018, respectively.

HCS has purchased annually a "claims-made" professional liability insurance policy. The policy currently provides coverage of $1,000,000 per occurrence and $3,000,000 annual aggregate. In addition, HCS has purchased an additional layer of insurance above the base policy of $2,000,000. HCS has no knowledge of any material claims or reportable events under this insurance policy.

HIA is separately insured under the providers' professional liability policy.

11. Operating Leases

As described in Note 1, the System adopted ASU 2016-02 effective January 1, 2019. The System leases certain medical offices, administrative offices and equipment under finance and operating leases. At the inception of a contract, a determination is made if the arrangement is or contains a lease. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria.

The System's ROU assets pertaining to operating leases represent the right to use the agreement's underlying assets for the lease term, and the corresponding lease liabilities represent the obligation to make lease payments arising from the lease. Such ROU assets and lease liabilities are recognized at the lease's commencement date at the present value of lease payments over the lease term for leases with initial terms greater than a year. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the System has elected to use a discount rate comparable to the System's incremental borrowing rate for financing over a comparable period, which was 3.76 percent as of December 31, 2019. A ROU asset and lease liability are not recognized for leases with an initial term of 12 months or less, and the System recognizes lease expense for such leases over the lease term within supplies and services in the consolidated statements of operations. The deferred rent liability resulting from recording operating lease expense using the straight-line method is recorded within other long term liabilities in the accompanying consolidated statements of financial position at December 31, 2018. As a result of implementing ASU 2016-02, this amount is now reported as a reduction to the ROU assets, operating leases line of the accompanying consolidated statements of financial position at December 31, 2019.

The System's operating and finance leases have remaining lease terms ranging from less than one year to ten years, some of which may include options to extend. Weighted-average remaining lease term is 5.71 years for the Medical Center's leases and 9.0 years for the Midjersey leases. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the ROU leased assets and liabilities, unless the System is reasonably certain to exercise the option to extend the lease. The System's leases may also include variable lease payments. Variable lease payments are excluded from the amounts used to determine the ROU leased assets and liabilities, unless the variable lease payments depend on an index or rate or are in substance fixed payments.

The System has made an election for all leases to not separate lease components from nonlease components in contracts in the accounting for its lease payments, as permitted by ASU 2016-02. As such, the System accounts for the applicable nonlease components (e.g. fixed common area maintenance costs) together with the related lease components when determining the ROU assets and lease liabilities.

The System's lease agreements do not contain material residual value guarantees. There are also no covenants.

The components of lease cost included in the accompanying consolidated statement of operations for the year ended December 31, 2019 are as follows:

Operating lease cost:	
Lease cost, leases with terms greater than one year	$ 6,330,356
Short-term lease cost	3,258,832
Total lease cost	$ 9,589,188

Future minimum payments under operating leases as of December 31, 2019 were as follows:

Years ending December 31:	
2020	$ 6,238,734
2021	5,688,467
2022	5,334,110
2023	4,582,972
2024	4,467,151
Thereafter	10,222,073
Interest	(7,162,762)
Total operating lease obligations	$ 29,370,745

12. Net Assets With Donor Restrictions

Net assets with donor restrictions in the amount of $9,391,006 and $11,423,575 at December 31, 2019 and 2018, respectively, are available for use by the System, as specified by the donor, for capital acquisitions, research and education. During 2019, as a result of management's review of these donor-restricted accounts, it was determined that a portion of amounts previously classified as net assets with donor restrictions were not donor-restricted and $7,167,511 was transferred from net assets with donor restrictions to net assets without donor restrictions. Net assets with donor restrictions of $22,490,404 and $22,627,595 at December 31, 2019 and 2018, respectively, are funds to be held in perpetuity by the System. The income earned on these funds is expendable either to support patient care or as specified by the donor. Realized gains and losses are retained in either net assets without donor restrictions or net assets with donor restrictions in accordance with donors' wishes.

The System's endowment consists of eight funds that have been established by the Medical Center and seven funds that have been established by the Foundation to support the Medical Center and HRCH, in providing health care services. These funds are invested by the Medical Center and Foundation. As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in net assets without donor restrictions as of year-end. These deficiencies result from unfavorable market fluctuations. There were no such deficiencies as of December 31, 2019 and 2018.

Interpretation of Relevant Law

The Boards of Trustees of the Medical Center and the Foundation have interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Medical Center and the Foundation classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The interest and dividend income earned on the accumulations to the donor-restricted endowment funds is classified as net assets with donor restrictions until the donor-imposed restrictions have been met and the amounts have been appropriated for expenditure.

Spending Policy

The Foundation distributes funds from its endowment account to the Medical Center when donor-imposed restrictions have been met. The Medical Center spends earnings on donor-restricted endowment funds when expenses have been incurred that satisfy the donor-imposed restrictions.

Return Objectives and Risk Parameters

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

The following represents the net asset classes of the System's donor-restricted and board-designated endowment funds at December 31, 2019 and 2018:

	2019	2018
Board-designated endowment funds	$ 333,922	$ 2,206,356
Donor-restricted endowment funds	22,156,482	20,421,239
Total	$ 22,490,404	$ 22,627,595

The following table presents changes in endowments for the years ended December 31, 2019 and 2018:

	Board-Designated	Donor-Restricted	Total
Endowment net assets, December 31, 2017	$ 2,310,237	$ 21,159,399	$ 23,469,636
Contributions, net asset transfers and other changes	-	(905,636)	(905,636)
Investment income	71,997	1,093,647	1,165,644
Unrealized loss in fair value of investments	(204,531)	(1,373,108)	(1,577,639)
Net realized gains on investments	28,653	446,937	475,590
Endowment net assets, December 31, 2018	2,206,356	20,421,239	22,627,595
Contributions, net asset transfers and other changes	(2,713,437)	(215,646)	(2,929,083)
Investment income	75,826	6,722	82,548
Unrealized gain in fair value of investments	293,118	1,936,479	2,229,597
Net realized gain on investments	472,059	7,688	479,747
Endowment net assets, December 31, 2019	$ 333,922	$ 22,156,482	$ 22,490,404

13. Liquidity and Availability of Resources

For the years ended December 31, 2019 and 2018, the System has working capital of $99,595,380 and $83,098,000, respectively, as well as days cash on hand of 142 and 121, respectively.

Financial assets available for general expenditure within one year of the consolidated statement of financial position date, consist of the following:

	2019	2018
Cash and cash equivalents	$ 51,396,942	$ 32,243,330
Accounts receivable	46,537,044	41,722,243
Investments	38,874,363	38,563,099
Assets whose use is limited, board-designated	51,350,032	49,030,165
Total	$ 188,158,381	$ 161,558,837

The System has other assets whose use is limited that are externally designated under bond indenture agreements and endowments that have donor-restricted purposes. These assets are not available for general expenditure within the next year and are not reflected in the amounts above.

Additionally, the System maintains lines of credit of $6,000,000 and $7,000,000, as discussed in more detail in Note 7. As of December 31, 2019, $13,000,000 remained available on the System's lines of credit.

As part of the System's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

14. Functional Expenses

The System provides general healthcare services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2019 and 2018 included in the consolidated statements of operations are as follows:

	2019			
	Healthcare Services	General and Administrative	Fundraising Expenses	Total
Salaries, wages and benefits	$ 203,039,611	$ 20,467,706	$ 984,323	$ 224,491,640
Physician fees	9,113,456	-	-	9,113,456
Supplies and services	92,668,934	20,641,039	323,616	113,633,589
Depreciation and amortization	12,251,609	9,862,555	-	22,114,164
Interest	2,682,131	328,098	-	3,010,229
Total	$ 319,755,741	$ 51,299,398	$ 1,307,939	$ 372,363,078

	2018			
	Healthcare Services	General and Administrative	Fundraising Expenses	Total
Salaries, wages and benefits	$ 195,961,106	$ 21,227,512	$ 884,376	$ 218,072,994
Physician fees	8,872,620	-	-	8,872,620
Supplies and services	92,957,651	20,043,821	251,473	113,252,945
Depreciation and amortization	11,917,738	7,639,346	-	19,557,084
Interest	2,728,716	269,746	-	2,998,462
Total	$ 312,437,831	$ 49,180,425	$ 1,135,849	$ 362,754,105

The consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Certain costs not directly attributable to a function, including depreciation and amortization, are allocated to a function based on a square footage basis.

15. Concentration of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party arrangements. The significant concentrations of accounts receivable for services to patients include the following at December 31, 2019 and 2018:

	2019	2018
Other third-party payors	27.2 %	29.2 %
Medicare	26.6	25.1
Blue Cross	14.7	18.3
Self-pay patients	12.8	11.8
Aetna	15.8	12.5
Medicaid	2.9	3.1
	100.0 %	100.0 %

16. Income Taxes

The components of the provision (benefit) for income taxes for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Current income tax provision:		
Federal	$ -	$ -
State	2,000	2,000
	2,000	2,000
Deferred income tax provision (benefit):		
Federal	938,751	(271,452)
State	(48,965)	(88,130)
	889,786	(359,582)
Total	$ 891,786	$ (357,582)

For Midjersey, the provision (benefit) for income taxes for the years ended December 31, 2019 and 2018 was $889,786 and ($359,582), respectively. Midjersey had deferred tax assets of $1,076,118 and $1,182,655 at December 31, 2019 and 2018, respectively, which are included in other assets in the consolidated statements of financial position. These amounts represent the deferred tax consequences attributable to temporary differences that will result in additional taxable income and a reduction of deductible expenses in future years. The temporary differences comprise lease payments, depreciation and other temporary differences.

HCC and the Pharmacy file federal and state income tax returns on a separate company basis. The Pharmacy recorded a current federal and state income tax provision of $500 and $2,000 for the years ended December 31, 2019 and 2018, respectively. HCC recorded a current federal and state income tax provision of $500 for the year ended December 31, 2018. 2018 was the final tax return for HCC.

The Pharmacy has deferred tax assets, prior to valuation allowance, of $172,000 and $130,000 at December 31, 2019 and 2018, respectively, which consisted primarily of federal and state net operating loss carryforwards. At December 31, 2019, the Pharmacy had a federal and state operating loss carryforward of approximately $431,000, which is available to offset future taxable income and expires in 2024.

In assessing the realization of deferred tax assets, management is required to consider whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and must be supported by sufficient positive evidence. Management considers the scheduled reversal of deferred tax assets and liabilities, projected future taxable income and tax planning strategies in making this assessment. The Pharmacy has had two consecutive years of net operating losses. As a result, management has recorded a full valuation allowance against the deferred tax asset.

17. Contingencies

Midjersey is a noncontrolling interest member of Hunterdon Medical Office Associates, LLC (HMOA, LLC) and has guaranteed an amount equal to 125 percent of their LLC membership percentage times the outstanding balance of two of HMOA, LLC's outstanding loans. At December 31, 2019, Midjersey's portion of the guarantees on the outstanding loans is $2,459,208.

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position
December 31, 2019

	Hunterdon Healthcare System, Inc.	Midjersey Health Corporation	Hunterdon Medical Center	Hunterdon Medical Center Foundation, Inc.	Hunterdon Regional Community Health, Inc.	Eliminating and Consolidating Entries	Consolidated Total
Assets							
Current Assets							
Cash and cash equivalents	$ 144,961	$ 5,077,926	$ 44,421,789	$ 289,924	$ 1,462,342	$ -	$ 51,396,942
Short-term investments	-	-	38,308,814	-	565,549	-	38,874,363
Patient accounts receivable	-	1,120,054	44,325,307	-	1,091,683	-	46,537,044
Assets whose use is limited	-	-	1,021,027	2,520,000	-	-	3,541,027
Inventories	-	-	3,478,184	-	432,275	-	3,910,459
Other receivables	-	-	2,085,559	-	-	-	2,085,559
Due from affiliates	-	4	-	-	-	(4)	-
Prepaid expenses and other current assets	-	620,326	6,158,873	1,152,112	202,279	-	8,133,590
Total current assets	144,961	6,818,310	139,799,553	3,962,036	3,754,128	(4)	154,478,984
Assets Whose Use is Limited (Exclusive of Current Portion):							
Board-designated funds	-	-	51,350,032	-	-	-	51,350,032
Donor-restricted assets	-	-	16,539,909	10,235,770	-	-	26,775,679
Total assets whose use is limited, net	-	-	67,889,941	10,235,770	-	-	78,125,711
Other Noncurrent Assets							
Due from affiliates	247,646	-	3,058,708	-	-	(3,178,725)	127,629
Property and equipment, net	-	9,226,755	152,011,392	81,780	528,477	-	161,848,404
Right-of-use assets, operating leases	-	13,190,295	15,641,516	-	-	-	28,831,811
Beneficial interest in trusts	-	-	2,424,482	511,174	-	-	2,935,656
Beneficial interest in net assets of the Foundation	-	-	11,108,300	-	1,683,101	(12,791,401)	-
Real estate held for investment	-	-	213,099	-	-	-	213,099
Investments	-	-	-	2,795,098	-	-	2,795,098
Investment in subsidiary	7,078,009	-	-	-	-	(5,782,115)	1,295,894
Investment in controlled affiliates	239,719,102	-	-	-	-	(239,719,102)	-
Goodwill	-	413,532	4,937,040	-	-	-	5,350,572
Other assets	-	1,997,518	17,655,073	677,683	-	-	20,330,274
Total other noncurrent assets	247,044,757	24,828,100	207,049,610	4,065,735	2,211,578	(261,471,343)	223,728,437
Total assets	$ 247,189,718	$ 31,646,410	$ 414,739,104	$ 18,263,541	$ 5,965,706	$ (261,471,347)	$ 456,333,132

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position
December 31, 2019

	Hunterdon Healthcare System, Inc.	Midjersey Health Corporation	Hunterdon Medical Center	Hunterdon Medical Center Foundation, Inc.	Hunterdon Regional Community Health, Inc.	Eliminating and Consolidating Entries	Consolidated Total
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	$ 139,703	$ 1,508,423	$ 24,956,363	$ 41,852	$ 319,321	$ -	$ 26,965,662
Accrued payroll and payroll taxes	-	-	16,572,939	-	-	-	16,572,939
Current portion of long-term debt and finance leases	-	528,013	2,554,655	-	-	-	3,082,668
Current portion of operating lease obligations	-	1,857,049	3,964,127	-	-	-	5,821,176
Accrued interest payable	-	-	1,041,756	-	-	-	1,041,756
Due to affiliates	-	(167,497)	-	-	823,610	(656,113)	-
Estimated third-party payor settlements, net	-	-	1,320,654	-	-	-	1,320,654
Other liabilities	-	-	-	78,749	-	-	78,749
Total current liabilities	139,703	3,725,988	50,410,494	120,601	1,142,931	(656,113)	54,883,604
Long-Term Liabilities							
Long-term debt and finance leases, net	-	9,023,598	66,554,018	-	-	-	75,577,616
Operating lease obligations, net	-	11,366,555	12,183,014	-	-	-	23,549,569
Due to affiliates	1,844,538	-	-	831,202	-	(2,522,616)	153,124
Other liabilities	-	-	12,860,157	-	-	-	12,860,157
Pension benefit liability	-	-	50,232,462	-	-	-	50,232,462
Estimated third-party payor settlements, net	-	-	4,914,370	-	-	-	4,914,370
Total long-term liabilities	1,844,538	20,390,153	146,744,021	831,202	-	(2,522,616)	167,287,298
Total liabilities	1,984,241	24,116,141	197,154,515	951,803	1,142,931	(3,178,729)	222,170,902
Net Assets							
Net assets without donor restrictions	200,532,666	-	188,921,339	2,985,278	3,139,674	(195,046,291)	200,532,666
Net assets with donor restrictions	44,672,811	-	28,663,250	14,326,460	1,683,101	(57,464,212)	31,881,410
Shareholders' Equity							
Midjersey shareholders' equity:							
Common stock	-	742,344	-	-	-	(742,344)	-
Additional paid-in capital	-	1,447,914	-	-	-	(1,447,914)	-
Retained earnings	-	3,591,857	-	-	-	(3,591,857)	-
Total Midjersey shareholders' equity	-	5,782,115	-	-	-	(5,782,115)	-
Noncontrolling Interests	-	1,748,154	-	-	-	-	1,748,154
Total net assets and shareholders' equity	245,205,477	7,530,269	217,584,589	17,311,738	4,822,775	(258,292,618)	234,162,230
Total liabilities and net assets	$ 247,189,718	$ 31,646,410	$ 414,739,104	$ 18,263,541	$ 5,965,706	$ (261,471,347)	$ 456,333,132

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions
Year Ended December 31, 2019

	Hunterdon Healthcare System, Inc.	Midjersey Health Corporation	Hunterdon Medical Center	Hunterdon Medical Center Foundation, Inc.	Hunterdon Regional Community Health, Inc.	Eliminating and Consolidating Entries	Consolidated Total
Revenues							
Net patient service revenues	$ -	$ 11,694,313	$ 336,998,571	$ -	$ 7,523,891	$ -	$ 356,216,775
Other revenue	5,428,105	6,694,549	18,777,990	1,598,669	147,664	(7,027,234)	25,619,743
Net assets released from restrictions for operations	-	-	519,643	2,966,112	428,896	(791,751)	3,122,900
Total revenues	5,428,105	18,388,862	356,296,204	4,564,781	8,100,451	(7,818,985)	384,959,418
Expenses							
Salaries, wages and benefits	3,430,392	4,590,673	210,882,461	1,144,563	4,443,551	-	224,491,640
Physician fees	-	-	9,113,456	-	-	-	9,113,456
Supplies and services	2,451,260	10,194,461	103,094,051	1,767,186	3,945,616	(7,818,985)	113,633,589
Interest	-	349,502	2,660,727	-	-	-	3,010,229
Depreciation and amortization	-	2,009,408	20,046,332	22,460	35,964	-	22,114,164
Total expenses	5,881,652	17,144,044	345,797,027	2,934,209	8,425,131	(7,818,985)	372,363,078
Operating income (loss)	(453,547)	1,244,818	10,499,177	1,630,572	(324,680)	-	12,596,340
Nonoperating revenues and gains, net	862	-	13,742,092	-	22,458	-	13,765,412
Equity in earnings of controlled affiliates	24,132,305	-	-	-	-	(24,132,305)	-
Equity in earnings of subsidiary	(1,228,613)	-	-	-	-	1,228,613	-
Excess (deficiency) of revenues and gains over expenses and losses before provision (benefit) for taxes	22,451,007	1,244,818	24,241,269	1,630,572	(302,222)	(22,903,692)	26,361,752
Provision (Benefit) for Income Taxes							
Federal	-	938,751	-	-	2,000	-	940,751
State	-	(48,965)	-	-	-	-	(48,965)
Total provision (benefit) for income taxes	-	889,786	-	-	2,000	-	891,786
Excess (deficiency) of revenues and gains over expenses and losses	22,451,007	355,032	24,241,269	1,630,572	(304,222)	(22,903,692)	25,469,966
Other Changes							
Change in net unrealized gains on investments, fixed income securities	-	-	1,190,629	-	77,139	-	1,267,768
Net assets released from restrictions for capital acquisitions	-	-	4,454,074	-	-	-	4,454,074
Pension-related changes other than net periodic pension cost	-	-	(6,495,493)	-	-	-	(6,495,493)
Net income attributable to noncontrolling interests	-	(1,916,429)	-	-	-	-	(1,916,429)
Other changes	-	332,784	(661,663)	-	-	-	(328,879)
Increase (decrease) in net assets without donor restrictions	$ 22,451,007	$ (1,228,613)	$ 22,728,816	$ 1,630,572	$ (227,083)	$ (22,903,692)	$ 22,451,007

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Midjersey Health Corporation
December 31, 2019

	Midjersey Health Corporation	Delaware Valley Office Associates	Hunterdon Imaging Associates	Hunterdon Center for Surgery, LLC	Bridgewater Surgery Center, LLC	Subtotal	Eliminations/ Reclassifications	Consolidated Total
Assets								
Current Assets								
Cash and cash equivalents	$ 3,882,868	$ 284,991	$ 108,121	$ 725,201	$ 76,745	$ 5,077,926	$ -	$ 5,077,926
Patient accounts receivable, net	-	-	-	973,377	146,677	1,120,054	-	1,120,054
Due from affiliates	5,124,698	12,600	4	3,572	-	5,140,874	(5,140,870)	4
Prepaid expenses and other current assets	91,609	502	47,108	481,107	-	620,326	-	620,326
Total current assets	9,099,175	298,093	155,233	2,183,257	223,422	11,959,180	(5,140,870)	6,818,310
Property and equipment, net	8,311,737	38,469	138,934	737,615	-	9,226,755	-	9,226,755
Right-of-use assets, operating leases	9,526,660	-	-	3,663,635	-	13,190,295	-	13,190,295
Goodwill, net	-	-	-	413,532	-	413,532	-	413,532
Other assets	1,360,585	-	636,933	-	-	1,997,518	-	1,997,518
Total assets	$ 28,298,157	$ 336,562	$ 931,100	$ 6,998,039	$ 223,422	$ 36,787,280	$ (5,140,870)	$ 31,646,410
Liabilities and Shareholders' Equity (Deficit)								
Current Liabilities								
Accounts payable and accrued expenses	$ 533,407	$ 7,112	$ 60,575	$ 721,495	$ 185,834	$ 1,508,423	$ -	$ 1,508,423
Current portion of long-term debt	388,670	-	-	28,622	110,721	528,013	-	528,013
Current portion of operating lease obligations	1,258,393	-	-	598,656	-	1,857,049	-	1,857,049
Due to affiliates	180,515	-	-	-	4,792,858	4,973,373	(5,140,870)	(167,497)
Total current liabilities	2,360,985	7,112	60,575	1,348,773	5,089,413	8,866,858	(5,140,870)	3,725,988
Long-term debt	8,751,857	-	-	50,308	221,433	9,023,598	-	9,023,598
Operating lease obligations, net	8,321,134	-	-	3,045,421	-	11,366,555	-	11,366,555
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	19,433,976	7,112	60,575	4,444,502	5,310,846	29,257,011	(5,140,870)	24,116,141
Shareholders' Equity (Deficit)								
Midjersey shareholders' equity (deficit):								
Common stock	985,000	15,400	300,000	1,020,000	-	2,320,400	(1,578,056)	742,344
Additional paid-in capital	1,447,914	-	-	-	-	1,447,914	-	1,447,914
Retained earnings (deficit)	6,431,267	314,050	280,364	75,544	(5,087,424)	2,013,801	1,578,056	3,591,857
Total Midjersey shareholders' equity (deficit)	8,864,181	329,450	580,364	1,095,544	(5,087,424)	5,782,115	-	5,782,115
Noncontrolling Interests	-	-	290,161	1,457,993	-	1,748,154	-	1,748,154
Total equity (deficit)	8,864,181	329,450	870,525	2,553,537	(5,087,424)	7,530,269	-	7,530,269
Total liabilities and shareholders' equity (deficit)	$ 28,298,157	$ 336,562	$ 931,100	$ 6,998,039	$ 223,422	$ 36,787,280	$ (5,140,870)	$ 31,646,410

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions - Midjersey Health Corporation
Year Ended December 31, 2019

	Midjersey Health Corporation	Delaware Valley Office Associates	Hunterdon Imaging Associates	Hunterdon Center for Surgery, LLC	Bridgewater Surgery Center, LLC	Subtotal	Eliminations/ Reclassifications	Consolidated Total
Revenues								
Net patient service revenues	$ -	$ -	$ -	$ 10,547,086	$ 1,147,227	$ 11,694,313	$ -	$ 11,694,313
Other revenue	2,400,118	146,479	4,159,291	9,655	82,854	6,798,397	(103,848)	6,694,549
Total revenues	2,400,118	146,479	4,159,291	10,556,741	1,230,081	18,492,710	(103,848)	18,388,862
Expenses								
Salaries, wages and benefits	265,701	-	-	3,049,754	1,275,218	4,590,673	-	4,590,673
Supplies and services	1,384,892	68,178	1,252,221	5,549,817	2,043,201	10,298,309	(103,848)	10,194,461
Interest	328,098	-	-	4,163	17,241	349,502	-	349,502
Depreciation and amortization	1,106,317	8,793	39,693	267,510	587,095	2,009,408	-	2,009,408
Total expenses	3,085,008	76,971	1,291,914	8,871,244	3,922,755	17,247,892	(103,848)	17,144,044
Income (loss) from operations	(684,890)	69,508	2,867,377	1,685,497	(2,692,674)	1,244,818	-	1,244,818
Provision (Benefit) for Income Taxes								
Federal	938,751	-	-	-	-	938,751	-	938,751
State	(48,965)	-	-	-	-	(48,965)	-	(48,965)
Total provision (benefit) for income taxes	889,786	-	-	-	-	889,786	-	889,786
Net income (loss)	(1,574,676)	69,508	2,867,377	1,685,497	(2,692,674)	355,032	-	355,032
Less Net Income Attributable to the Noncontrolling Interests	-	-	(955,697)	(960,732)	-	(1,916,429)	-	(1,916,429)
Net (loss) income attributable to Midjersey	(1,574,676)	69,508	1,911,680	724,765	(2,692,674)	(1,561,397)	-	(1,561,397)
Other Changes	(153,124)	-	-	-	485,908	332,784	-	332,784
Dividends Received (Paid)	2,526,487	-	(1,936,097)	(590,390)	-	-	-	-
Increase (decrease) in shareholders' equity (deficit)	$ 798,687	$ 69,508	$ (24,417)	$ 134,375	$ (2,206,766)	$ (1,228,613)	$ -	$ (1,228,613)

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Hunterdon Regional Community Health, Inc.
December 31, 2019

	Hunterdon Regional Community Health, Inc.	Hunterdon Hospice, Inc.	Visiting Health and Supportive Services, Inc.	Hunterdon Regional Pharmacy	Briteside Adult Daycare	Subtotal	Eliminations	Consolidated Total
Assets								
Current Assets								
Cash and cash equivalents	$ 228,569	$ 792,147	$ 350,350	$ 42,618	$ 48,658	$ 1,462,342	$ -	$ 1,462,342
Investments	-	-	-	-	565,549	565,549	-	565,549
Patient accounts receivable, net	-	570,728	69,721	443,617	7,617	1,091,683	-	1,091,683
Due from affiliates	-	-	29,173	11,191	-	40,364	(40,364)	-
Inventories	-	-	-	432,275	-	432,275	-	432,275
Prepaid expenses and other current assets	-	-	(371)	201,909	741	202,279	-	202,279
Total current assets	228,569	1,362,875	448,873	1,131,610	622,565	3,794,492	(40,364)	3,754,128
Beneficial interest in net assets of the Foundation	930,434	383,966	253,591	-	115,110	1,683,101	-	1,683,101
Property and equipment, net	-	457	-	44,698	483,322	528,477	-	528,477
Total assets	$ 1,159,003	$ 1,747,298	$ 702,464	$ 1,176,308	$ 1,220,997	$ 6,006,070	$ (40,364)	$ 5,965,706
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	$ (30)	$ 212,627	$ 22,612	$ 59,405	$ 24,707	$ 319,321	$ -	$ 319,321
Due to affiliates	616	101,772	438,705	178,335	144,546	863,974	(40,364)	823,610
Total liabilities	586	314,399	461,317	237,740	169,253	1,183,295	(40,364)	1,142,931
Net Assets								
Net assets without donor restrictions	227,983	1,048,933	(12,444)	938,568	936,634	3,139,674	-	3,139,674
Net assets with donor restrictions	930,434	383,966	253,591	-	115,110	1,683,101	-	1,683,101
Total net assets	1,158,417	1,432,899	241,147	938,568	1,051,744	4,822,775	-	4,822,775
Total liabilities and net assets	$ 1,159,003	$ 1,747,298	$ 702,464	$ 1,176,308	$ 1,220,997	$ 6,006,070	$ (40,364)	$ 5,965,706

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions - Hunterdon Regional Community Health, Inc.
Year Ended December 31, 2019

	Hunterdon Regional Community Health, Inc.	Hunterdon Hospice, Inc.	Visiting Health and Supportive Services, Inc.	Hunterdon Regional Pharmacy	Briteside Adult Daycare	Subtotal	Eliminations	Consolidated Total
Revenues								
Net patient service revenues	$ 1,413	$ 3,219,451	$ 1,216,617	$ 2,764,944	$ 321,466	$ 7,523,891	$ -	$ 7,523,891
Other revenue	-	-	3,485	44,175	100,004	147,664	-	147,664
Net assets released from restrictions for operations	-	226,465	92,878	-	109,553	428,896	-	428,896
Total revenues	1,413	3,445,916	1,312,980	2,809,119	531,023	8,100,451	-	8,100,451
Expenses								
Salaries, wages, and benefits	-	2,221,677	1,357,459	387,882	476,533	4,443,551	-	4,443,551
Supplies and services	3,672	986,200	288,659	2,518,357	148,728	3,945,616	-	3,945,616
Depreciation	-	548	-	6,950	28,466	35,964	-	35,964
Total expenses	3,672	3,208,425	1,646,118	2,913,189	653,727	8,425,131	-	8,425,131
Operating (loss) income	(2,259)	237,491	(333,138)	(104,070)	(122,704)	(324,680)	-	(324,680)
Nonoperating Revenues and Gains								
Nonoperating revenues and gains, net	1,494	4,707	2,384	936	12,937	22,458	-	22,458
Benefit for income taxes	-	-	-	(2,000)	-	(2,000)	-	(2,000)
(Deficiency) excess of revenues over expenses	(765)	242,198	(330,754)	(105,134)	(109,767)	(304,222)	-	(304,222)
Change in Net Unrealized Gains on Investments, Fixed Income Securities	-	-	-	-	77,139	77,139	-	77,139
(Decrease) increase in net assets without donor restrictions	$ (765)	$ 242,198	$ (330,754)	$ (105,134)	$ (32,628)	$ (227,083)	$ -	$ (227,083)

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Hunterdon Medical Center and Affiliates
December 31, 2019

	Hunterdon Medical Center	Hunterdon Primary Care, P.C.	Hunterdon Specialty Care, P.C.	Hunterdon Urgent Care, P.C.	Subtotal	Eliminations	Consolidated Total
Assets							
Current Assets							
Cash and cash equivalents	$ 35,025,974	$ 6,645,495	$ 2,124,315	$ 626,005	$ 44,421,789	$ -	$ 44,421,789
Short-term investments	38,308,814	-	-	-	38,308,814	-	38,308,814
Patient accounts receivable	35,919,404	3,590,486	4,060,371	755,046	44,325,307	-	44,325,307
Assets whose use is limited	1,021,027	-	-	-	1,021,027	-	1,021,027
Inventories	3,478,184	-	-	-	3,478,184	-	3,478,184
Other receivables	2,085,559	-	-	-	2,085,559	-	2,085,559
Prepaid expenses and other current assets	6,158,873	-	-	-	6,158,873	-	6,158,873
Total current assets	121,997,835	10,235,981	6,184,686	1,381,051	139,799,553	-	139,799,553
Assets Whose use is Limited (Exclusive of Current Position)							
Board-designated funds	51,350,032	-	-	-	51,350,032	-	51,350,032
Donor-restricted assets	16,539,909	-	-	-	16,539,909	-	16,539,909
Total assets whose use is limited, net	67,889,941	-	-	-	67,889,941	-	67,889,941
Other Noncurrent Assets							
Due from affiliates	34,662,356	(12,086,139)	(16,770,254)	(2,747,255)	3,058,708	-	3,058,708
Property and equipment, net	152,011,392	-	-	-	152,011,392	-	152,011,392
Right-of-use assets, operating leases	15,641,516	-	-	-	15,641,516	-	15,641,516
Beneficial interest in trusts	2,424,482	-	-	-	2,424,482	-	2,424,482
Beneficial interest in net assets of the Foundation	11,108,300	-	-	-	11,108,300	-	11,108,300
Real estate held for investment	213,099	-	-	-	213,099	-	213,099
Goodwill	4,937,040	-	-	-	4,937,040	-	4,937,040
Other assets	17,655,073	-	-	-	17,655,073	-	17,655,073
Total other noncurrent assets	238,653,258	(12,086,139)	(16,770,254)	(2,747,255)	207,049,610	-	207,049,610
Total assets	$ 428,541,034	$ (1,850,158)	$ (10,585,568)	$ (1,366,204)	$ 414,739,104	$ -	$ 414,739,104
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Accounts payable and accrued expenses	$ 24,914,484	$ 33,966	$ 7,913	$ -	$ 24,956,363	$ -	$ 24,956,363
Accrued payroll and payroll taxes	13,008,589	1,829,303	1,735,047	-	16,572,939	-	16,572,939
Current portion of long-term debt and finance leases	2,554,655	-	-	-	2,554,655	-	2,554,655
Current portion of operating lease obligations	3,964,127	-	-	-	3,964,127	-	3,964,127
Estimated third-party payor settlements	1,320,654	-	-	-	1,320,654	-	1,320,654
Due to affiliates	-	-	-	-	-	-	-
Accrued interest payable	1,041,756	-	-	-	1,041,756	-	1,041,756
Total current liabilities	46,804,265	1,863,269	1,742,960	-	50,410,494	-	50,410,494
Estimated third-party payor settlements, net	4,914,370	-	-	-	4,914,370	-	4,914,370
Long-term debt and finance leases, net	66,554,018	-	-	-	66,554,018	-	66,554,018
Operating lease obligations, net	12,183,014	-	-		12,183,014	-	12,183,014
Pension liability	50,232,462	-	-	-	50,232,462	-	50,232,462
Other liabilities	11,815,141	1,045,016	-	-	12,860,157	-	12,860,157
Total liabilities	192,503,270	2,908,285	1,742,960	-	197,154,515	-	197,154,515
Net Assets (Deficit)							
Net assets without donor restrictions	207,374,514	(4,758,443)	(12,328,528)	(1,366,204)	188,921,339	-	188,921,339
Net assets with donor restrictions	28,663,250	-	-	-	28,663,250	-	28,663,250
Total net assets (deficit)	236,037,764	(4,758,443)	(12,328,528)	(1,366,204)	217,584,589	-	217,584,589
Total liabilities and net assets (deficit)	$ 428,541,034	$ (1,850,158)	$ (10,585,568)	$ (1,366,204)	$ 414,739,104	$ -	$ 414,739,104

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions - Hunterdon Medical Center and Affiliates
Year Ended December 31, 2019

	Hunterdon Medical Center	Hunterdon Primary Care, P.C.	Hunterdon Specialty Care, P.C.	Hunterdon Urgent Care, P.C.	Subtotal	Eliminations	Consolidated Total
Revenues							
Net patient services revenues	$ 278,638,070	$ 30,966,814	$ 22,500,021	$ 4,893,666	$ 336,998,571	$ -	$ 336,998,571
Other revenue	16,799,565	1,916,025	62,400	-	18,777,990	-	18,777,990
Net assets released from restrictions for operations	519,643	-	-	-	519,643	-	519,643
Total revenues	295,957,278	32,882,839	22,562,421	4,893,666	356,296,204	-	356,296,204
Expenses							
Salaries, wages and benefits	178,804,876	13,407,562	18,670,023	-	210,882,461	-	210,882,461
Physician fees	9,113,456	-	-	-	9,113,456	-	9,113,456
Supplies and services	56,706,355	26,098,121	15,916,857	4,372,718	103,094,051	-	103,094,051
Depreciation and amortization	20,046,332	-	-	-	20,046,332	-	20,046,332
Interest	2,660,727	-	-	-	2,660,727	-	2,660,727
Total expenses	267,331,746	39,505,683	34,586,880	4,372,718	345,797,027	-	345,797,027
Operating income (loss)	28,625,532	(6,622,844)	(12,024,459)	520,948	10,499,177	-	10,499,177
Nonoperating Revenues and Gains							
Interest and dividend income	2,096,856	17,373	2,219	675	2,117,123	-	2,117,123
Net pension periodic benefit credit	2,058,424	-	-	-	2,058,424	-	2,058,424
Net realized gains on investments	2,240,749	-	-	-	2,240,749	-	2,240,749
Change in value of derivative financial instruments	(83,104)	-	-	-	(83,104)	-	(83,104)
Gain on sale of assets	2,204,000	-	-	-	2,204,000	-	2,204,000
Change in net unrealized gains and losses on equity securities	5,204,900	-	-	-	5,204,900	-	5,204,900
Total nonoperating revenues and gains, net	13,721,825	17,373	2,219	675	13,742,092	-	13,742,092
Excess (deficiency) of revenues and gains over expenses and losses	42,347,357	(6,605,471)	(12,022,240)	521,623	24,241,269	-	24,241,269
Change in Net Unrealized Gains and Losses on Investments, Fixed Income Securities	1,190,629	-	-	-	1,190,629	-	1,190,629
Other Changes	(661,689)	26	-	-	(661,663)	-	(661,663)
Pension-Related Changes Other Than Net Periodic Pension Cost	(6,495,493)	-	-	-	(6,495,493)	-	(6,495,493)
Net Assets Released From Restrictions for Capital Acquisitions	4,454,074	-	-	-	4,454,074	-	4,454,074
Increase (decrease) in net assets without donor restrictions	$ 40,834,878	$ (6,605,445)	$ (12,022,240)	$ 521,623	$ 22,728,816	$ -	$ 22,728,816

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position
December 31, 2018

	Hunterdon Healthcare System, Inc.	Midjersey Health Corporation	Hunterdon Medical Center	Hunterdon Medical Center Foundation, Inc.	Hunterdon Regional Community Health, Inc.	Eliminating and Consolidating Entries	Consolidated Total
Assets							
Current Assets							
Cash and cash equivalents	$ 629,797	$ 3,941,541	$ 21,372,032	$ 4,886,795	$ 1,413,165	$ -	$ 32,243,330
Short-term investments	-	-	38,087,363	-	475,736	-	38,563,099
Patient accounts receivable	-	682,564	40,030,195	-	1,009,484	-	41,722,243
Assets whose use is limited	-	-	1,019,848	-	-	-	1,019,848
Inventories	-	-	1,451,906	-	450,134	-	1,902,040
Other receivables	229,293	473,097	564,569	1,783,261	-	-	3,050,220
Due from affiliates	271,135	-	-	-	-	(271,135)	-
Prepaid expenses and other current assets	-	1,049,504	3,924,549	124,066	185,508	-	5,283,627
Total current assets	1,130,225	6,146,706	106,450,462	6,794,122	3,534,027	(271,135)	123,784,407
Assets Whose Use is Limited (Exclusive of Current Portion):							
Board-designated funds	-	-	49,030,165	-	-	-	49,030,165
Donor-restricted assets	-	-	17,649,353	7,910,272	-	-	25,559,625
Total assets whose use is limited, net	-	-	66,679,518	7,910,272	-	-	74,589,790
Other Noncurrent Assets							
Due from affiliates	-	-	2,115,095	545,010	-	(2,660,105)	-
Property and equipment, net	-	13,100,320	155,803,900	104,239	507,163	-	169,515,622
Beneficial interest in trusts	-	-	2,055,375	494,515	-	-	2,549,890
Beneficial interest in net assets of the Foundation	-	-	9,586,504	-	1,572,856	(11,159,360)	-
Real estate held for investment	-	-	213,099	-	-	-	213,099
Investments	-	-	-	-	-	-	-
Investment in subsidiary	8,190,668	-	-	-	-	(7,010,728)	1,179,940
Investment in controlled affiliates	216,124,516	-	-	-	-	(216,124,516)	-
Goodwill	-	413,532	4,850,040	-	-	-	5,263,572
Other assets	-	1,222,625	15,133,413	-	-	-	16,356,038
Total other noncurrent assets	224,315,184	14,736,477	189,757,426	1,143,764	2,080,019	(236,954,709)	195,078,161
Total assets	$ 225,445,409	$ 20,883,183	$ 362,887,406	$ 15,848,158	$ 5,614,046	$ (237,225,844)	$ 393,452,358

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position
December 31, 2018

	Hunterdon Healthcare System, Inc.	Midjersey Health Corporation	Hunterdon Medical Center	Hunterdon Medical Center Foundation, Inc.	Hunterdon Regional Community Health, Inc.	Eliminating and Consolidating Entries	Consolidated Total
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	$ 36,646	$ 2,087,593	$ 17,914,856	$ 71,389	$ 339,103	$ -	$ 20,449,587
Accrued payroll and payroll taxes	-	-	15,269,620	-	-	-	15,269,620
Current portion of long-term debt and finance leases	-	684,160	2,117,621	-	-	-	2,801,781
Accrued interest payable	-	-	1,046,035	-	-	-	1,046,035
Due to affiliate	-	(40,629)	467,414	52,551	335,330	(814,666)	-
Estimated third-party payor settlements, net	-	-	1,072,420	-	-	-	1,072,420
Other liabilities	-	-	-	88,326	-	-	88,326
Total current liabilities	36,646	2,731,124	37,887,966	212,266	674,433	(814,666)	40,727,769
Long-Term Liabilities							
Long-term debt and finance leases, net	-	9,559,093	66,403,552	-	-	-	75,962,645
Due to affiliates	2,116,574	-	-	-	-	(2,116,574)	-
Other liabilities	-	-	10,678,432	-	-	-	10,678,432
Pension benefit liability	-	-	45,795,393	-	-	-	45,795,393
Estimated third-party payor settlements, net	-	-	6,573,052	-	-	-	6,573,052
Total long-term liabilities	2,116,574	9,559,093	129,450,429	-	-	(2,116,574)	139,009,522
Total liabilities	2,153,220	12,290,217	167,338,395	212,266	674,433	(2,931,240)	179,737,291
Net Assets							
Net assets without donor restrictions	178,081,659	-	166,192,523	1,354,706	3,366,757	(170,913,986)	178,081,659
Net assets with donor restrictions	45,210,530	-	29,356,488	14,281,186	1,572,856	(56,369,890)	34,051,170
Shareholders' Equity							
Midjersey shareholders' equity:							
Common stock	-	742,344	-	-	-	(742,344)	-
Additional paid-in capital	-	1,447,914	-	-	-	(1,447,914)	-
Retained earnings	-	4,820,470	-	-	-	(4,820,470)	-
Total Midjersey shareholders' equity	-	7,010,728	-	-	-	(7,010,728)	-
Noncontrolling Interests	-	1,582,238	-	-	-	-	1,582,238
Total net assets and shareholders' equity	223,292,189	8,592,966	195,549,011	15,635,892	4,939,613	(234,294,604)	213,715,067
Total liabilities and net assets	$ 225,445,409	$ 20,883,183	$ 362,887,406	$ 15,848,158	$ 5,614,046	$ (237,225,844)	$ 393,452,358

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions
Year Ended December 31, 2018

	Hunterdon Healthcare System, Inc.	Midjersey Health Corporation	Hunterdon Medical Center	Hunterdon Medical Center Foundation, Inc.	Hunterdon Regional Community Health, Inc.	Eliminating and Consolidating Entries	Consolidated Total
Revenues							
Net patient service revenues	$ -	$ 10,484,894	$ 322,467,047	$ -	$ 7,605,175	$ -	$ 340,557,116
Other revenue	5,408,152	6,569,945	16,248,176	1,748,958	175,573	(6,241,192)	23,909,612
Net assets released from restrictions for operations	-	-	610,591	847,841	495,435	(806,707)	1,147,160
Total revenues	5,408,152	17,054,839	339,325,814	2,596,799	8,276,183	(7,047,899)	365,613,888
Expenses							
Salaries, wages and benefits	4,793,517	4,499,313	202,895,292	1,029,376	4,855,496	-	218,072,994
Physician fees	-	-	8,872,620	-	-	-	8,872,620
Supplies and services	918,794	10,264,800	103,537,904	1,742,131	3,949,908	(7,160,592)	113,252,945
Interest	-	297,016	2,701,446	-	-	-	2,998,462
Depreciation and amortization	-	1,733,986	17,783,385	(148)	39,861	-	19,557,084
Total expenses	5,712,311	16,795,115	335,790,647	2,771,359	8,845,265	(7,160,592)	362,754,105
Operating income (loss)	(304,159)	259,724	3,535,167	(174,560)	(569,082)	112,693	2,859,783
Nonoperating revenues and gains (losses), net	200,353	-	10,404,977	(112,693)	(405)	(200,000)	10,292,232
Equity in earnings of controlled affiliates	(3,215,335)	-	-	-	-	3,215,335	-
Equity in earnings of subsidiary	(1,534,253)	-	-	-	-	1,534,253	-
Excess (deficiency) of revenues and gains over expenses and losses before provision for taxes	(4,853,394)	259,724	13,940,144	(287,253)	(569,487)	4,662,281	13,152,015
(Benefit) Provision for Income Taxes							
Federal	-	(271,952)	-	-	500	-	(271,452)
State	-	(86,130)	-	-	-	-	(86,130)
Total (benefit) provision for income taxes	-	(358,082)	-	-	500	-	(357,582)
Excess (deficiency) of revenues and gains over expenses and losses	(4,853,394)	617,806	13,940,144	(287,253)	(569,987)	4,662,281	13,509,597
Other Changes							
Change in net unrealized losses on investments, fixed income securities	-	-	(5,506,012)	-	(37,886)	-	(5,543,898)
Net assets released from restrictions for capital acquisitions	-	-	112,693	112,693	-	(112,693)	112,693
Pension-related changes other than net periodic pension cost	-	-	(10,979,727)	-	-	-	(10,979,727)
Net income attributable to noncontrolling interests	-	(1,829,600)	-	-	-	-	(1,829,600)
Other changes	-	(122,459)	126,980	-	(126,980)	-	(122,459)
Dividends paid	-	(200,000)	-	-	-	200,000	-
(Decrease) increase in net assets without donor restrictions	$ (4,853,394)	$ (1,534,253)	$ (2,305,922)	$ (174,560)	$ (734,853)	$ 4,749,588	$ (4,853,394)

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Midjersey Health Corporation
December 31, 2018

	Midjersey Health Corporation	Delaware Valley Office Associates	Hunterdon Imaging Associates	Hunterdon Center for Surgery, LLC	Bridgewater Surgery Center, LLC	Subtotal	Eliminations/ Reclassifications	Consolidated Total
Assets								
Current Assets								
Cash and cash equivalents	$ 2,370,859	$ 213,597	$ 424,182	$ 862,703	$ 70,200	$ 3,941,541	$ -	$ 3,941,541
Patient accounts receivable, net	-	-	-	634,545	48,019	682,564	-	682,564
Other receivables	124,012	-	349,085	-	-	473,097	-	473,097
Due from affiliates	5,336,152	6,300	-	-	-	5,342,452	(5,342,452)	-
Prepaid expenses and other current assets	96,073	367	28,690	548,381	375,993	1,049,504	-	1,049,504
Total current assets	7,927,096	220,264	801,957	2,045,629	494,212	11,489,158	(5,342,452)	6,146,706
Property and equipment, net	9,373,804	47,262	178,627	711,086	2,789,541	13,100,320	-	13,100,320
Goodwill, net	-	-	-	413,532	-	413,532	-	413,532
Other assets	1,222,625	-	-	-	-	1,222,625	-	1,222,625
Total assets	$ 18,523,525	$ 267,526	$ 980,584	$ 3,170,247	$ 3,283,753	$ 26,225,635	$ (5,342,452)	$ 20,883,183
Liabilities and Shareholders' Equity (Deficit)								
Current Liabilities								
Accounts payable and accrued expenses	$ 947,725	$ 7,584	$ 73,436	$ 811,211	$ 247,637	$ 2,087,593	$ -	$ 2,087,593
Current portion of long-term debt	376,067	-	-	27,502	280,591	684,160	-	684,160
Due to affiliates	(34,329)	-	-	-	5,336,152	5,301,823	(5,342,452)	(40,629)
Total current liabilities	1,289,463	7,584	73,436	838,713	5,864,380	8,073,576	(5,342,452)	2,731,124
Long-Term Debt	9,168,568	-	-	90,494	300,031	9,559,093	-	9,559,093
Total liabilities	10,458,031	7,584	73,436	929,207	6,164,411	17,632,669	(5,342,452)	12,290,217
Shareholders' Equity (Deficit)								
Midjersey shareholders' equity (deficit):								
Common stock	985,000	15,400	300,000	1,020,000	-	2,320,400	(1,578,056)	742,344
Additional paid-in capital	1,447,914	-	-	-	-	1,447,914	-	1,447,914
Retained earnings (deficit)	5,632,580	244,542	304,781	(58,831)	(2,880,658)	3,242,414	1,578,056	4,820,470
Total Midjersey shareholders' equity (deficit)	8,065,494	259,942	604,781	961,169	(2,880,658)	7,010,728	-	7,010,728
Noncontrolling Interests	-	-	302,367	1,279,871	-	1,582,238	-	1,582,238
Total equity (deficit)	8,065,494	259,942	907,148	2,241,040	(2,880,658)	8,592,966	-	8,592,966
Total liabilities and shareholders' equity (deficit)	$ 18,523,525	$ 267,526	$ 980,584	$ 3,170,247	$ 3,283,753	$ 26,225,635	$ (5,342,452)	$ 20,883,183

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions - Midjersey Health Corporation
Year Ended December 31, 2018

	Midjersey Health Corporation	Delaware Valley Office Associates	Hunterdon Imaging Associates	Hunterdon Center for Surgery, LLC	Bridgewater Surgery Center, LLC	Hunterdon Cardiovascular Health, LLC	Subtotal	Eliminations/ Reclassifications	Consolidated Total
Revenues									
Net patient service revenues	$ -	$ -	$ -	$ 10,416,259	$ 68,635	$ -	$ 10,484,894	$ -	$ 10,484,894
Other revenue	2,209,009	145,774	4,292,490	17,551	6,177	2,792	6,673,793	(103,848)	6,569,945
Total revenues	2,209,009	145,774	4,292,490	10,433,810	74,812	2,792	17,158,687	(103,848)	17,054,839
Expenses									
Salaries and benefits	326,770	-	-	3,091,924	1,080,619	-	4,499,313	-	4,499,313
Supplies and services	2,239,743	69,614	1,234,457	5,642,665	1,182,169	-	10,368,648	(103,848)	10,264,800
Interest	269,745	-	-	3,353	23,918	-	297,016	-	297,016
Depreciation and amortization	1,087,153	9,642	40,385	241,432	355,374	-	1,733,986	-	1,733,986
Total expenses	3,923,411	79,256	1,274,842	8,979,374	2,642,080	-	16,898,963	(103,848)	16,795,115
Income (loss) before benefit for income taxes	(1,714,402)	66,518	3,017,648	1,454,436	(2,567,268)	2,792	259,724	-	259,724
Benefit for Income Taxes									
Federal	(271,952)	-	-	-	-	-	(271,952)	-	(271,952)
State	(86,130)	-	-	-	-	-	(86,130)	-	(86,130)
Total benefit for income taxes	(358,082)	-	-	-	-	-	(358,082)	-	(358,082)
Net income (loss)	(1,356,320)	66,518	3,017,648	1,454,436	(2,567,268)	2,792	617,806	-	617,806
Less Net Income Attributable to the Noncontrolling Interests	-	-	(1,005,782)	(829,029)	-	5,211	(1,829,600)	-	(1,829,600)
Net (loss) income attributable to Midjersey	(1,356,320)	66,518	2,011,866	625,407	(2,567,268)	8,003	(1,211,794)	-	(1,211,794)
Other Changes	(151,241)	28,782	-	-	-	-	(122,459)		(122,459)
Net Asset Transfer From (to) Affiliate	7,950	-	-	-	-	(7,950)	-	-	-
Dividends Received (Paid)	2,337,761	-	(1,820,091)	(717,670)	-	-	(200,000)	-	(200,000)
(Decrease) increase in shareholders' equity (deficit)	$ 838,150	$ 95,300	$ 191,775	$ (92,263)	$ (2,567,268)	$ 53	$ (1,534,253)	$ -	$ (1,534,253)

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Hunterdon Regional Community Health, Inc.
December 31, 2018

	Hunterdon Regional Community Health, Inc.	Hunterdon Hospice, Inc.	Visiting Health and Supportive Services, Inc.	Hunterdon Regional Pharmacy	Briteside Adult Daycare	Subtotal	Eliminations	Consolidated Total
Assets								
Current Assets								
Cash and cash equivalents	$ 228,813	$ 576,658	$ 386,310	$ 191,290	$ 30,094	$ 1,413,165	$ -	$ 1,413,165
Short-term investments	-	-	-	-	475,736	475,736	-	475,736
Accounts receivable, net	93	570,856	97,803	312,550	28,182	1,009,484	-	1,009,484
Due from affiliates	-	-	21,793	11,859	360	34,012	(34,012)	-
Inventories	1,774	-	-	448,360	-	450,134	-	450,134
Prepaid expenses and other current assets	-	-	(15,880)	200,965	423	185,508	-	185,508
Total current assets	230,680	1,147,514	490,026	1,165,024	534,795	3,568,039	(34,012)	3,534,027
Beneficial interest in net assets of the Foundation	864,114	390,205	201,254	-	117,283	1,572,856	-	1,572,856
Property and equipment, net	-	1,005	1,370	-	504,788	507,163	-	507,163
Total assets	$ 1,094,794	$ 1,538,724	$ 692,650	$ 1,165,024	$ 1,156,866	$ 5,648,058	$ (34,012)	$ 5,614,046
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	$ 1,932	$ 229,242	$ 17,208	$ 69,376	$ 21,345	$ 339,103	$ -	$ 339,103
Due to affiliates	-	112,542	155,878	51,946	48,976	369,342	(34,012)	335,330
Total current liabilities	1,932	341,784	173,086	121,322	70,321	708,445	(34,012)	674,433
Net Assets								
Net assets without donor restrictions	228,748	806,735	318,310	1,043,702	969,262	3,366,757	-	3,366,757
Net assets with donor restrictions	864,114	390,205	201,254	-	117,283	1,572,856	-	1,572,856
Total net assets	1,092,862	1,196,940	519,564	1,043,702	1,086,545	4,939,613	-	4,939,613
Total liabilities and net assets	$ 1,094,794	$ 1,538,724	$ 692,650	$ 1,165,024	$ 1,156,866	$ 5,648,058	$ (34,012)	$ 5,614,046

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions - Hunterdon Regional Community Health, Inc.
Year Ended December 31, 2018

	Hunterdon Regional Community Health, Inc.	Hunterdon Hospice, Inc.	Visiting Health and Supportive Services, Inc.	Hunterdon Regional Pharmacy	Hunterdon Community Care	Briteside Adult Daycare	Subtotal	Eliminations	Consolidated Total
Revenues									
Net patient service revenues	$ 110,305	$ 3,161,261	$ 1,383,532	$ 3,053,435	$ -	$ 380,300	$ 8,088,833	$ (483,658)	$ 7,605,175
Other revenue	-	-	8,557	44,369	-	122,647	175,573	-	175,573
Net assets released from restrictions for operations	23,600	239,709	119,338	-	-	112,788	495,435	-	495,435
Total revenues	133,905	3,400,970	1,511,427	3,097,804	-	615,735	8,759,841	(483,658)	8,276,183
Expenses									
Salaries, wages and benefits	145,293	2,356,147	1,550,108	371,140	-	432,808	4,855,496	-	4,855,496
Supplies and services	42,492	1,085,045	386,853	2,733,868	-	189,308	4,437,566	(487,658)	3,949,908
Depreciation	12,887	548	-	284	-	26,142	39,861	-	39,861
Total expenses	200,672	3,441,740	1,936,961	3,105,292	-	648,258	9,332,923	(487,658)	8,845,265
Operating (loss) income	(66,767)	(40,770)	(425,534)	(7,488)	-	(32,523)	(573,082)	4,000	(569,082)
Nonoperating Revenues and Gains (Losses)									
Nonoperating revenues and gains (losses), net	1,290	2,600	1,891	885	(33,053)	25,982	(405)	-	(405)
Provision for Income Taxes	-	-	-	(500)	-	-	(500)	-	(500)
(Deficiency) excess of revenues over expenses	(65,477)	(38,170)	(423,643)	(7,103)	(33,053)	(6,541)	(573,987)	4,000	(569,987)
Change in Net Unrealized Gains (Losses) on Investments, Fixed Income Securities	-	-	-	-	-	(37,886)	(37,886)	-	(37,886)
Transfer From Affiliate	(1,563,358)	-	741,656	694,722	-	-	(126,980)		(126,980)
(Decrease) increase in net assets without donor restrictions	$ (1,628,835)	$ (38,170)	$ 318,013	$ 687,619	$ (33,053)	$ (44,427)	$ (738,853)	$ 4,000	$ (734,853)

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Hunterdon Medical Center and Affiliates
December 31, 2018

	Hunterdon Medical Center	Hunterdon Primary Care, P.C.	Hunterdon Specialty Care, P.C.	Hunterdon Urgent Care, P.C.	Subtotal	Eliminations	Consolidated Total
Assets							
Current Assets							
Cash and cash equivalents	$ 17,722,136	$ 2,437,160	$ 1,169,441	$ 43,295	$ 21,372,032	$ -	$ 21,372,032
Short-term investments	38,087,363	-	-	-	38,087,363	-	38,087,363
Patient accounts receivable	30,409,051	3,931,081	5,153,985	536,078	40,030,195	-	40,030,195
Assets whose use is limited	1,019,848	-	-	-	1,019,848	-	1,019,848
Inventories	1,451,906	-	-	-	1,451,906	-	1,451,906
Other receivables	547,074	17,495	-	-	564,569	-	564,569
Prepaid expenses and other current assets	3,924,549	-	-	-	3,924,549	-	3,924,549
Total current assets	93,161,927	6,385,736	6,323,426	579,373	106,450,462	-	106,450,462
Assets Whose Use is Limited (Exclusive of Current Position)							
Board-designated funds	49,030,165	-	-	-	49,030,165	-	49,030,165
Donor-restricted assets	17,649,353	-	-	-	17,649,353	-	17,649,353
Total assets whose use is limited, net	66,679,518	-	-	-	66,679,518	-	66,679,518
Other Noncurrent Assets							
Due from affiliates	2,115,095	-	-	-	2,115,095	-	2,115,095
Property and equipment, net	155,803,900	-	-	-	155,803,900	-	155,803,900
Beneficial interest in trusts	2,055,375	-	-	-	2,055,375	-	2,055,375
Beneficial interest in net assets of the Foundation	9,586,504	-	-	-	9,586,504	-	9,586,504
Real estate held for investment	213,099	-	-	-	213,099	-	213,099
Goodwill	4,850,040	-	-	-	4,850,040	-	4,850,040
Other assets	15,133,413	-	-	-	15,133,413	-	15,133,413
Total other noncurrent assets	189,757,426	-	-	-	189,757,426	-	189,757,426
Total assets	$ 349,598,871	$ 6,385,736	$ 6,323,426	$ 579,373	$ 362,887,406	$ -	$ 362,887,406
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Accounts payable and accrued expenses	$ 17,897,873	$ 16,983	$ -	$ -	$ 17,914,856	$ -	$ 17,914,856
Accrued payroll and payroll taxes	11,708,385	1,896,092	1,665,143	-	15,269,620	-	15,269,620
Current portion of long-term debt and finance leases	2,117,621	-	-	-	2,117,621	-	2,117,621
Estimated third-party payor settlements	1,072,420	-	-	-	1,072,420	-	1,072,420
Due to affiliates	(8,727,337)	1,762,980	4,964,571	2,467,200	467,414	-	467,414
Accrued interest payable	1,046,035	-	-	-	1,046,035	-	1,046,035
Total current liabilities	25,114,997	3,676,055	6,629,714	2,467,200	37,887,966	-	37,887,966
Estimated third-party payor settlements, net	6,573,052	-	-	-	6,573,052	-	6,573,052
Long-term debt and finance leases, net	66,403,552	-	-	-	66,403,552	-	66,403,552
Pension liability	45,795,393	-	-	-	45,795,393	-	45,795,393
Other liabilities	9,815,753	862,679	-	-	10,678,432	-	10,678,432
Total liabilities	153,702,747	4,538,734	6,629,714	2,467,200	167,338,395	-	167,338,395
Net Assets (Deficit)							
Net assets without donor restrictions	166,539,636	1,847,002	(306,288)	(1,887,827)	166,192,523	-	166,192,523
Net assets with donor restrictions	29,356,488	-	-	-	29,356,488	-	29,356,488
Total net assets (deficit)	195,896,124	1,847,002	(306,288)	(1,887,827)	195,549,011	-	195,549,011
Total liabilities and net assets (deficit)	$ 349,598,871	$ 6,385,736	$ 6,323,426	$ 579,373	$ 362,887,406	$ -	$ 362,887,406

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions - Hunterdon Medical Center and Affiliates
Year Ended December 31, 2018

	Hunterdon Medical Center	Hunterdon Primary Care, P.C.	Hunterdon Specialty Care, P.C.	Hunterdon Urgent Care, P.C.	Subtotal	Eliminations	Consolidated Total
Revenues							
Net patient service revenues	$ 269,186,262	$ 28,768,709	$ 20,729,391	$ 3,782,685	$ 322,467,047	$ -	$ 322,467,047
Other revenue	13,782,375	2,398,971	66,830	-	16,248,176	-	16,248,176
Net assets released from restrictions	610,591	-	-	-	610,591	-	610,591
Total revenues	283,579,228	31,167,680	20,796,221	3,782,685	339,325,814	-	339,325,814
Expenses							
Salaries, wages and benefits	173,042,639	12,725,285	17,127,368	-	202,895,292	-	202,895,292
Physician fees	8,872,620	-	-	-	8,872,620	-	8,872,620
Supplies and services	66,496,306	21,368,859	12,182,539	3,490,200	103,537,904	-	103,537,904
Depreciation and amortization	17,783,385	-	-	-	17,783,385	-	17,783,385
Interest	2,701,446	-	-	-	2,701,446	-	2,701,446
Total expenses	268,896,396	34,094,144	29,309,907	3,490,200	335,790,647	-	335,790,647
Operating income (loss)	14,682,832	(2,926,464)	(8,513,686)	292,485	3,535,167	-	3,535,167
Nonoperating Revenues and Gains							
Interest and dividend income	1,956,849	13,381	1,001	976	1,972,207	-	1,972,207
Net pension periodic benefit credit	7,145,463	-	-	-	7,145,463	-	7,145,463
Net realized gains on investments	1,178,104	-	-	-	1,178,104	-	1,178,104
Change in value of derivative financial instruments	102,201	-	-	-	102,201	-	102,201
Gain on sale of assets	7,002	-	-	-	7,002	-	7,002
Total nonoperating revenues and gains, net	10,389,619	13,381	1,001	976	10,404,977	-	10,404,977
Excess (deficiency) of revenues and gains over expenses and losses	25,072,451	(2,913,083)	(8,512,685)	293,461	13,940,144	-	13,940,144
Change in Net Unrealized Losses on Investments, Fixed Income Securities	(5,506,012)	-	-	-	(5,506,012)	-	(5,506,012)
Net Transfers From (to) Affiliates	(12,839,502)	4,760,085	8,206,397	-	126,980	-	126,980
Pension-Related Changes Other Than Net Periodic Pension Cost	(10,979,727)	-	-	-	(10,979,727)	-	(10,979,727)
Net Assets Released From Restrictions for Capital Acquisitions	112,693	-	-	-	112,693	-	112,693
(Decrease) increase in net assets without donor restrictions	$ (4,140,097)	$ 1,847,002	$ (306,288)	$ 293,461	$ (2,305,922)	$ -	$ (2,305,922)