

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Financial Statements
and Supplementary Information

December 31, 2020 and 2019

Hunterdon Healthcare System, Inc. and Affiliates

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

Management's Responsibility for the 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, 2020 and 2019 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.

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 38 to 55 is presented for purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets of the individual companies 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 US, LLP

Philadelphia, Pennsylvania
May 28, 2021

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 120,353,454	\$ 51,396,942	Accounts payable and accrued expenses	\$ 25,461,589	\$ 26,965,662
Short-term investments	38,402,792	38,874,363	Accrued payroll and payroll taxes	24,733,797	16,572,939
Patient accounts receivable	46,004,156	46,537,044	Current portion of long-term debt and finance leases	4,061,794	3,082,668
Assets whose use is limited	5,783,377	3,541,027	Current portion of operating lease obligations	6,236,284	5,821,176
Inventories	5,623,000	3,910,459	Accrued interest payable	1,038,608	1,041,756
Other receivables	5,749,035	2,085,559	Estimated third-party payor settlements, net	390,130	1,320,654
Prepaid expenses and other current assets	7,692,568	8,133,590	Current portion of contract liability, third party advances	10,610,709	-
			Other liabilities	66,300	78,749
Total current assets	<u>229,608,382</u>	<u>154,478,984</u>	Total current liabilities	<u>72,599,211</u>	<u>54,883,604</u>
Assets Whose Use is Limited (Exclusive of Current Portion)			Long-Term Liabilities		
Board-designated funds	68,944,397	51,350,032	Long-term debt and finance leases, net	123,966,707	75,577,616
Donor-restricted assets	24,699,240	26,775,679	Contract liability, third party advances	18,703,534	-
			Operating lease obligations, net	20,515,691	23,549,569
Total assets whose use is limited, net	<u>93,643,637</u>	<u>78,125,711</u>	Due to related parties	-	153,124
Other Noncurrent Assets			Other liabilities	14,039,903	12,860,157
Due from related parties	287,416	127,629	Pension benefit liability	56,212,409	50,232,462
Property and equipment, net	153,941,257	161,848,404	Estimated third-party payor settlements, net	2,290,996	4,914,370
Right-of-use assets, operating leases	26,321,801	28,831,811	Total long-term liabilities	<u>235,729,240</u>	<u>167,287,298</u>
Beneficial interest in trusts	3,671,069	2,935,656	Total liabilities	<u>308,328,451</u>	<u>222,170,902</u>
Real estate held for investment	213,099	213,099	Net Assets		
Investments	2,736,130	2,795,098	Net assets without donor restrictions	198,962,829	200,532,666
Investment in subsidiary	1,046,462	1,295,894	Net assets with donor restrictions	32,529,510	31,881,410
Goodwill	6,655,572	5,350,572	Total net assets	231,492,339	232,414,076
Other assets	23,443,307	20,330,274	Noncontrolling interests	1,747,342	1,748,154
Total other noncurrent assets	218,316,113	223,728,437	Total liabilities and net assets	<u>\$ 541,568,132</u>	<u>\$ 456,333,132</u>
Total assets	<u>\$ 541,568,132</u>	<u>\$ 456,333,132</u>			

See notes to consolidated financial statements

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Operations

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Net patient service revenues	\$ 319,038,821	\$ 356,216,775
Other revenue	47,023,701	25,619,743
Net assets released from restrictions for operations	1,715,626	3,122,900
Total revenues	<u>367,778,148</u>	<u>384,959,418</u>
Expenses		
Salaries, wages and benefits	216,098,341	224,491,640
Physician fees	11,114,458	9,113,456
Supplies and services	118,396,221	113,633,589
Interest	2,737,248	3,010,229
Depreciation and amortization	19,447,466	22,114,164
Total expenses	<u>367,793,734</u>	<u>372,363,078</u>
Operating (loss) income	(15,586)	12,596,340
Nonoperating Revenues and Gains, Net	<u>10,469,145</u>	<u>13,765,412</u>
Excess of revenues and gains over expenses before provision (benefit) for income taxes	<u>10,453,559</u>	<u>26,361,752</u>
(Benefit) Provision for Income Taxes		
Federal	(257,354)	940,751
State	(74,239)	(48,965)
Total (benefit) provision for income taxes	<u>(331,593)</u>	<u>891,786</u>
Excess of revenues and gains over expenses and losses	<u>10,785,152</u>	<u>25,469,966</u>
Other Changes		
Change in net unrealized gains on investments, fixed income securities	339,360	1,267,768
Net transfers from related parties	410,782	-
Net assets released from restrictions for capital acquisitions	1,509,673	4,454,074
Pension-related changes other than net periodic pension cost	(12,107,130)	(6,495,493)
Other changes	(1,243,990)	(328,879)
Net income attributable to noncontrolling interests	<u>(1,263,684)</u>	<u>(1,916,429)</u>
(Decrease) increase in net assets without donor restrictions	<u>\$ (1,569,837)</u>	<u>\$ 22,451,007</u>

See notes to consolidated financial statements

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Excess of revenues and gains over expenses and losses	\$ 10,785,152	\$ 25,469,966
Change in net unrealized gains on investments, fixed income securities	339,360	1,267,768
Net transfers from related parties	410,782	-
Net assets released from restrictions for capital acquisitions	1,509,673	4,454,074
Pension-related changes other than net periodic pension cost	(12,107,130)	(6,495,493)
Other changes	(1,243,990)	(328,879)
Net income attributable to noncontrolling interests	<u>(1,263,684)</u>	<u>(1,916,429)</u>
 (Decrease) increase in net assets without donor restrictions	 <u>(1,569,837)</u>	 <u>22,451,007</u>
Changes in Net Assets With Donor Restrictions		
Contributions	2,038,206	1,513,825
Investment income from donor-restricted assets	150,475	310,444
Net realized gains on investment securities	793,593	481,187
Change in net unrealized gains (losses) on investment securities	727,970	2,715,992
Change in value of beneficial interest in trusts	207,237	385,766
Net assets released from restrictions	<u>(3,269,381)</u>	<u>(7,576,974)</u>
 Increase (decrease) in net assets with donor restrictions	 <u>648,100</u>	 <u>(2,169,760)</u>
 (Decrease) increase in net assets	 (921,737)	 20,281,247
Net Assets, Beginning	<u>232,414,076</u>	<u>212,132,829</u>
Net Assets, Ending	<u>\$ 231,492,339</u>	<u>\$ 232,414,076</u>

See notes to consolidated financial statements

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
(Decrease) increase in net assets	\$ (921,737)	\$ 20,281,247
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Change in beneficial interest in trusts	(823,379)	(321,686)
Gain on sale of assets	-	(2,689,908)
Loss on defeasance	3,661,360	
Depreciation and amortization	19,447,466	22,114,164
Operating lease expense	5,534,201	6,330,356
Net realized and unrealized (gains) losses on investment securities	(8,798,406)	(9,667,135)
Net income attributable to noncontrolling interests	1,263,684	1,916,429
Accretion of bond premium, net of amortization of bond discount	(78,138)	(78,139)
Pension-related changes other than net periodic pension cost	12,107,130	6,495,493
Amortization of deferred financing Costs	26,882	36,923
Operating lease payments	(5,642,961)	(5,791,422)
Change in value of derivatives	72,954	83,104
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	532,888	(4,814,801)
(Decrease) in estimated third-party payor settlements, net	(3,553,898)	(1,410,448)
Contract liability, third-party advances	29,314,243	-
Net change in other operating assets and liabilities	(7,724,293)	(2,985,202)
Net cash provided by operating activities	<u>44,417,996</u>	<u>29,498,975</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment, net	(11,540,319)	(9,827,993)
(Purchases) sales of assets whose use is limited and investments, net	(6,487,341)	9,135,539
Net cash used in investing activities	<u>(18,027,660)</u>	<u>(692,454)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	83,117,532	1,237,038
Repayment of long-term debt and finance lease obligations	(2,653,901)	(3,229,009)
Payment of deferred financing costs	(824,820)	-
Payment to escrow account for defeased debt	(33,880,698)	-
Payment of annuity obligations	(12,449)	(9,577)
Distributions to noncontrolling interests	(1,264,496)	(1,750,513)
Net cash provided by (used in) financing activities	<u>44,481,168</u>	<u>(3,752,061)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	70,871,504	25,054,460
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>60,604,621</u>	<u>35,550,161</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 131,476,125</u>	<u>\$ 60,604,621</u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	<u>\$ 2,801,522</u>	<u>\$ 3,053,221</u>
Acquisitions of property and equipment through finance leases	<u>\$ -</u>	<u>\$ 1,929,045</u>
Right of use assets obtained in exchange for operating lease obligations	<u>\$ 3,094,214</u>	<u>\$ 33,985,417</u>
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 120,353,454	\$ 51,396,942
Assets whose use is limited under bond indenture agreements, cash	3,800,435	1,021,027
Assets whose use is limited, donor-restricted cash	7,292,085	8,068,535
Beneficial interests in trusts, cash	30,151	118,117
	<u>\$ 131,476,125</u>	<u>\$ 60,604,621</u>

See notes to consolidated financial statements

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 IRC). 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 IRC.

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, the Medical Center 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. The Medical Center 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.

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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.

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 1 percent to 3.36 percent and are included in other receivables in the consolidated statements of financial position. At December 31, 2020 and 2019, net contributions receivable of approximately \$1,796,000 and \$1,712,000 respectively, were recorded. Approximately \$936,434 of the gross contributions receivable is expected to be collected by December 31, 2021 and the remainder of the balance is expected to be collected during 2022 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 and Investment Risk

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, 2020 and 2019.

Investments intended to be held for over one year are classified as long term. 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 recorded at the net asset value (NAV) of the fund 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. The System records unrealized gains and losses on equity 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, 2020 and 2019.

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.

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 (Leases), the System 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.

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.

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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.

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 2020 or 2019.

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.

Hunterdon Healthcare System, Inc. and Affiliates

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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, permanent transfers of assets to and from unconsolidated related parties 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, unrealized gains and losses on equity securities, unrestricted contributions, net pension periodic benefit credit (cost), change in value of derivative financial instruments, and loss on bond defeasance. 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.

Other Revenue

Other revenue consists primarily of grant revenue, federal assistance payments, 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.

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Contract Liability, Third Party Advances

The Coronavirus Aid, Relief and Economic Security (CARES) Act included provisions to expand the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In 2020, the System received \$29,314,243 in advance payments under this program. Repayment of the advances to the government is scheduled to begin one year after receipt of the advances and end 29 months later, at which time the advances are required to be repaid in full or any remaining outstanding amounts will be subject to interest at 4 percent. The System began repaying the Medicare advances during April 2021. The repayments are expected to occur automatically through a partial reduction in Medicare payments due to the System for services rendered to Medicare program beneficiaries. The current portion of the contract liability represents the amount the System believes will be repaid in 2021 based on an estimate of Medicare claims using historical information.

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 IRC. 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.

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COVID-19 Grant Income

COVID-19 grant income is comprised of amounts received from federal funding sources related to the COVID-19 pandemic. The System accounts for this funding in accordance with the FASB ASC 958-605 guidance for conditional contributions, and accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the System complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the CARES Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The System received \$22,302,703 in the year ended December 31, 2020 related to this funding. In accordance with the terms and conditions in place at December 31, 2020, the System could apply the funding first against eligible expenses, and then lost revenues, which the System's methodology for calculating lost revenues was the difference between 2019 and 2020 actual patient care revenue.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Provider Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these combined financial statements were available to be issued. In addition, it is unknown whether there will be further developments in the regulatory guidance.

The System has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the Provider Relief Fund that were applicable as of December 31, 2020 of \$22,302,703, which were recognized and included in other revenues in the accompanying consolidated statements of operations for the year ended December 31, 2020.

Subsequent Events

The System evaluated subsequent events for recognition or disclosure through May 28, 2021, the date the consolidated financial statements were issued.

In the first several months of 2021, COVID-19 continued to spread in the United States. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Company's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were available to be issued. COVID-19 may impact various parts of the Company's fiscal year 2021 operations and financial performance. 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.

On January 1, 2021, the Medical Center acquired a controlling interest in Raritan Family Medicine, P.A. for \$3,264,000.

New Accounting Standards

Compensation Retirement Benefits Defined Benefit Plans

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.

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Reference Rate Reform

In January 2021, the FASB issued Accounting Standards Update (ASU) No. 2021-01, *Reference Rate Reform (Topic 848)*, in response to concerns about the structural risks of interbank offered rates, and particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR). ASU No. 2021-01 adds implementation guidance to clarify that the contract modification relief may be applied to certain derivative instruments that are affected by the discounting transition. The Company will be required to adopt the guidance when LIBOR is discontinued. The System is currently evaluating the impact of adopting ASU No. 2021-01.

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 \$4,176,854 and \$4,663,046 in 2020 and 2019, 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 \$250,229 and \$317,892 for 2020 and 2019, respectively, and are included in other revenue in the accompanying consolidated statements of operations.

3. Net Patient Service Revenue

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of 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 System's Medicare cost reports have been settled through December 31, 2016.
- **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 System's Medicaid cost reports have been settled through December 31, 2017.

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- **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 \$5,908,704 and \$1,834,000 in 2020 and 2019, 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. The impact of prior year changes to the consolidated financial statements in estimates of implicit price concessions, discounts and contractual adjustments used to determine the transaction price for the year ended December 31, 2020 related to readjusted transaction price for prior year accounts receivable price concessions was a loss of approximately \$2,600,000. 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.

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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:

	<u>2020</u>	<u>2019</u>
Medicare and Medicare managed care	\$ 105,766,195	\$ 113,531,930
Medicaid and Medicaid managed care	20,279,729	23,016,269
Aetna	44,942,873	55,100,485
Blue Cross, all products except Medicaid/Medicare	99,733,301	101,295,715
Self-pay/uninsured	3,187,514	3,968,743
Other third-party commercial	45,129,209	59,303,633
Total	<u>\$ 319,038,821</u>	<u>\$ 356,216,775</u>

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:

	<u>2020</u>	<u>2019</u>
Inpatient	\$ 100,805,806	\$ 87,928,748
Outpatient	144,366,735	199,601,242
Physician services	73,866,280	68,686,785
Total	<u>\$ 319,038,821</u>	<u>\$ 356,216,775</u>

4. Other Revenue

The composition of other revenue for the years ended December 31, 2020 and 2019 is set forth in the following table:

	<u>2020</u>	<u>2019</u>
CARES Act	\$ 22,302,703	\$ -
Miscellaneous	14,618,191	18,525,253
Value-based payments	7,155,910	3,935,500
Other grant income	2,946,897	3,158,990
Total	<u>\$ 47,023,701</u>	<u>\$ 25,619,743</u>

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Notes to Consolidated Financial Statements
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5. Investments and Assets Whose Use is Limited

The composition of short-term investments and assets whose use is limited at December 31, 2020 and 2019 is set forth in the following table:

	<u>2020</u>	<u>2019</u>
Investments:		
Cash and cash equivalents	\$ 926,577	\$ 398,010
Certificates of deposit	-	1,701,745
Government bonds	2,449,718	2,696,195
Investment-grade corporate bonds	34,797,101	33,544,308
Mutual funds, fixed income	1,317,549	1,534,180
Mutual funds, domestic equity	1,234,023	1,360,316
Mutual funds, international equity	411,449	409,552
Accrued interest receivable	2,505	25,155
	<u>41,138,922</u>	<u>41,669,461</u>
Total		
Less current portion	<u>38,402,792</u>	<u>38,874,363</u>
Noncurrent portion of investments	<u>\$ 2,736,130</u>	<u>\$ 2,795,098</u>
Assets whose use is limited:		
Board-designated funds:		
Cash and cash equivalents	\$ 2,524,924	\$ 3,933,699
Certificates of deposit	-	2,827,818
Mutual funds, international equity	9,088,912	7,049,172
Mutual funds, fixed income	26,824,696	15,115,815
Mutual funds, domestic equity	30,473,828	22,398,516
Accrued interest receivable	32,037	25,012
Total	<u>68,944,397</u>	<u>51,350,032</u>
Donor-restricted assets:		
Cash and cash equivalents	7,292,085	8,068,535
Commingled funds, U.S. large cap equities	6,777,678	6,249,873
Commingled funds, U.S. bonds	4,471,698	3,985,709
Mutual funds, international equity	3,076,737	2,413,440
Mutual funds, fixed income	1,574,721	2,957,592
Mutual funds, domestic equity	3,489,263	5,620,530
Total	<u>26,682,182</u>	<u>29,295,679</u>
Funds held by trustee under bond indenture agreement:		
Cash and cash equivalents	<u>3,800,435</u>	<u>1,021,027</u>
Total assets whose use is limited	99,427,014	81,666,738
Less current portion	<u>5,783,377</u>	<u>3,541,027</u>
Noncurrent portion of assets whose use is limited	<u>\$ 93,643,637</u>	<u>\$ 78,125,711</u>

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Investment return consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends, net	\$ 3,955,819	\$ 2,450,024
Net realized gains on the sale of investments	1,061,997	1,301,599
Change in net unrealized gains (losses) on investment securities	<u>5,908,395</u>	<u>8,365,536</u>
Total	<u>\$ 10,926,211</u>	<u>\$ 12,117,159</u>

6. 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.

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The following tables present financial instruments measured at fair value at December 31, 2020 and 2019:

	Fair Value as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
Investments:				
Government bonds	\$ 2,449,718	\$ -	\$ 2,449,718	\$ -
Investment-grade corporate bonds	34,797,101	-	34,797,101	-
Mutual funds, fixed income	1,317,549	1,317,549	-	-
Mutual funds, domestic equity	1,234,023	1,234,023	-	-
Mutual funds, international equity	411,449	411,449	-	-
Assets whose use is limited:				
Mutual funds, international equity	12,165,649	12,165,649	-	-
Mutual funds, fixed income	28,399,417	28,399,417	-	-
Mutual funds, domestic equity	33,963,091	33,963,091	-	-
Beneficial interest in trusts	3,671,069	-	-	3,671,069
Total assets in the fair value hierarchy	118,409,066	\$ 77,491,178	\$ 37,246,819	\$ 3,671,069
Assets recorded at net asset value (a)				
Cash and cash equivalents	11,249,376			
	14,578,563			
Total assets at fair value	\$ 144,237,005			
Liabilities:				
Swap agreements	\$ 319,344	\$ -	\$ 319,344	\$ -

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	Fair Value as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
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	1,534,180	1,534,180	-	-
Mutual funds, domestic equity	1,360,316	1,360,316	-	-
Mutual funds, international equity	409,552	409,552	-	-
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	<u>\$ 102,564,835</u>	<u>\$ 63,388,676</u>	<u>\$ 36,240,503</u>	<u>\$ 2,935,656</u>
Assets recorded at net asset value (a)				
Cash and cash equivalents	<u>10,235,582</u>			
	<u>13,471,438</u>			
Total assets at fair value	<u>\$ 126,271,855</u>			
Liabilities:				
Swap agreements	<u>\$ 246,391</u>	<u>\$ -</u>	<u>\$ 246,391</u>	<u>\$ -</u>

(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, 2020 and 2019, respectively.

	December 31, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
State Street Passive Bond Market Index Strategy	\$ 4,471,698	N/A	Daily	30 days
S&P 500 Index Strategy	2,475,299	N/A	Daily	30 days
State Street FTSE RAFI U.S. 1000 Index	<u>4,302,379</u>	N/A	Daily	30 days
Total NAV investments	<u>\$ 11,249,376</u>			

	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	<u>4,157,630</u>	N/A	Daily	30 days
Total NAV investments	<u>\$ 10,235,582</u>			

Fair Value of Financial Instruments

The carrying amounts of certificates of deposit approximate fair value at December 31, 2019 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.

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Changes to the beneficial interest in trusts in 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning	\$ 2,935,656	\$ 2,549,890
Contributions of beneficial interest in trusts	528,176	-
Investment income from beneficial interest in trusts	14,257	35,509
Distributions from beneficial interest in trusts	(81,774)	(76,254)
Change in value of beneficial interest in trusts	274,754	426,511
Balance, ending	<u>\$ 3,671,069</u>	<u>\$ 2,935,656</u>

7. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 6,876,849	\$ 6,876,849
Land improvements	7,932,624	7,932,624
Buildings	165,619,017	161,772,458
Leasehold improvements	24,810,943	24,803,757
Fixed equipment	48,097,750	47,906,827
Major moveable equipment	188,557,319	186,913,450
Minor equipment	51,244	51,244
Construction in progress	9,616,649	3,764,867
	451,562,395	440,022,076
Less accumulated depreciation and amortization	<u>297,621,138</u>	<u>278,173,672</u>
Total	<u>\$ 153,941,257</u>	<u>\$ 161,848,404</u>

Property and equipment includes finance lease assets of \$4,856,814 as of December 31, 2020 and 2019, on which there was accumulated depreciation of \$1,705,585 and \$991,428, respectively.

8. Long-Term Debt and Finance Lease Obligations

Long-term debt at December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
New Jersey Health Care Facilities Financing Authority (Authority) Revenue Bonds, Series 2020A, Serial Bonds payable annually through July 1, 2050, bearing interest at a rates ranging from 2.57% to 3.51% (a)	\$ 44,460,000	\$ -
Authority Refunding Bonds, Series 2020B, Serial Bonds payable annually through July 1, 2050, bearing interest at a variable rate (a)	34,097,000	-
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% (b)	-	1,845,000

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	<u>2020</u>	<u>2019</u>
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2031, bearing interest at a rate of 5% (b)	\$ -	\$ 1,940,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2032, bearing interest at a rate of 5% (b)	-	2,035,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2033, bearing interest at a rate of 5% (b)	-	2,140,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2034, bearing interest at a rate of 5% (b)	-	2,245,000
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2036, bearing interest at a rate of 4% (b)	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% (b)	-	18,225,000
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2045, bearing interest at a rate of 4% (b)	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% (b)	14,806,485	16,260,000
Authority Refunding Bonds, Series 2014D, payable monthly through December 1, 2034, bearing interest at a variable rate of 2.59% (b)	3,789,386	3,995,260
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 (c)	8,847,468	9,233,724
Note payable with interest calculated at 4.00%, payable in 60 installments consisting of principal and interest through December 2022	77,560	114,460
Note payable with interest calculated at 4.00%, payable in 60 installments consisting of principal and interest through December 2022	53,579	78,930
Paycheck Protection Program loan at 1.00%, in 18 installments consisting of principal and interest through	619,305	-
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))	5,178,265	1,237,038
	126,234,048	73,654,412
Less current portion due within one year	<u>3,108,123</u>	<u>2,113,321</u>
Long-term debt, excluding deferred financing costs, bond premium and original issue discount	123,125,925	71,541,091
Deferred financing costs	(850,421)	(489,014)
Plus unamortized bond premium, net of discount	<u>(350,567)</u>	<u>1,953,439</u>
Long-term portion	<u>\$ 121,924,937</u>	<u>\$ 73,005,516</u>

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- (a) On December 23, 2020, the Medical Center issued \$44,460,000 of Revenue Bonds, Series 2020A (Series 2020A bonds) pursuant to a loan agreement between the Medical Center and the Authority. The Series 2020A bonds include \$4,175,000 of Term Bonds maturing July 1, 2022 through 2030, \$8,215,000 maturing July 1, 2031 through 2040 and \$32,070,000 maturing July 1, 2041 through 2050 with interest ranging from 2.57 percent to 3.51 percent.

The Medical Center also entered into an Amended and Restated Master Trust Indenture, dated as of December 1, 2020 with U.S. Bank National Association, as Master Trustee in connection with issuance of the Series 2020A 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 2020A bonds will be used to fund various capital improvements and equipment purchases related to the expansion of and renovations to various healthcare related facilities at the Medical Center and to pay costs incurred in connection with the issuance and sale of the Series 2020A bonds.

The Medical Center also issued \$34,097,000 of Refunding Bonds, Series 2020B (Series 2020B bonds) pursuant to a loan agreement between the Medical Center and the Authority on December 23, 2020. The bonds pay variable interest rates based on LIBOR plus 1.26 percent which was 1.41 percent at December 31, 2020. \$33,880,697 of the Series 2020B bonds were put into escrow to legally defease certain 2014A Series bonds in the amount of \$28,430,000. The Medical Center is no longer liable for those debt issuances, and therefore, have been removed from the financial statements. \$568,025 of unamortized underwriters discount and deferred financing and \$2,357,363 of unamortized underwriters premium costs were written off and included in the total loss on bond defeasance of \$3,661,360 within nonoperating revenues and gains, net in the consolidated statements of operations. Cost of issuance and underwriter's discount for the Series 2020A and 2020B bonds were \$824,820. The Series 2020 bonds are payable annually maturing July 1, 2021 through December 31, 2045.

- (b) 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. As noted above, \$28,430,000 of Series 2014A bonds were legally defeased with the issuance of the Series 2020B 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.

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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 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 \$3,807,001 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 (0.14 percent at December 31, 2020).

At December 31, 2020 and 2019, the fair value of the derivative financial instruments is \$(319,344) and \$(246,390), respectively and is included in other liabilities in the accompanying consolidated balance sheets. The change in fair value recognized during the years ended December 31, 2020 and 2019, in the amount of \$(72,954) and \$(83,104), respectively, is recorded in the consolidated statements of operations and is included in the performance indicator.

- (c) 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.
- (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. Principal payments are due beginning the first day of the seventh month following the project completion date and monthly thereafter for 12 years.

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

The Medical Center has a \$6,000,000 Working Capital line of credit and a separate \$7,000,000 unsecured Advised Equipment Lease line of credit with TD Bank. The interest rate is 4.00 percent and 4.75 percent at December 31, 2020 and 2019, respectively, and the term was extended to December 31, 2020. There are no amounts outstanding on the lines of credit as of December 31, 2020 and 2019.

Future principal debt payments at December 31, 2020 are as follows:

Years ending December 31:	
2021	\$ 3,108,123
2022	2,961,292
2023	2,994,763
2024	3,105,162
2025	3,218,837
Thereafter	<u>110,845,871</u>
Total	<u>\$ 126,234,048</u>

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Finance Lease Obligations

Finance lease obligations, included in current portion of long-term debt and long-term debt in the accompanying consolidated statements of financial position at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
TD Equipment Finance/Equipment (a)	\$ 1,269,602	\$ 1,780,516
US Bank/Beds (b)	1,543,236	1,543,236
AMO Sales (c)	179,840	200,649
Olympus Financial (d)	<u>2,763</u>	<u>17,046</u>
Subtotal	2,995,441	3,541,447
Less portion due within one year	<u>953,671</u>	<u>969,347</u>
Long-term portion	<u>\$ 2,041,770</u>	<u>\$ 2,572,100</u>

- (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 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.
- (d) 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.

9. 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.

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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 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Benefit obligation, beginning	\$ 269,866,183	\$ 238,867,952
Interest cost	7,455,448	9,177,906
Amendments/curtailments/special termination benefits	-	1,545,177
Benefits paid	(14,929,028)	(12,575,932)
Actuarial loss (gain)	28,165,504	32,851,080
	<u>290,558,107</u>	<u>269,866,183</u>
Benefit obligation, ending		
	<u>290,558,107</u>	<u>269,866,183</u>
Change in plan assets:		
Fair value of plan assets, beginning	219,633,721	193,072,559
Actual return (loss) on plan assets	29,641,005	39,137,094
Benefits paid	(14,929,028)	(12,575,932)
	<u>234,345,698</u>	<u>219,633,721</u>
Fair value of plan assets, ending		
	<u>234,345,698</u>	<u>219,633,721</u>
Funded status	<u>\$ (56,212,409)</u>	<u>\$ (50,232,462)</u>
Accumulated benefit obligation	<u>\$ 290,558,107</u>	<u>\$ 269,866,183</u>
Amounts recognized as changes in net assets without donor restrictions consist of:		
Net actuarial loss	<u>\$ 102,257,452</u>	<u>\$ 90,150,322</u>
Weighted average assumptions used to determine benefit obligations at December 31:		
Discount rate	2.41 %	3.19 %
Rate of compensation increases	N/A	N/A
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	3.19 %	4.20 %
Expected long-term rate of return on plan assets	7.50	8.00
Rate of compensation increases	N/A	N/A
Components of net periodic benefit cost:		
Interest cost	\$ 7,455,448	\$ 9,177,906
Expected return on plan assets	(16,061,529)	(15,043,361)
Effect of special termination benefits	-	1,545,177
Amortization of unrecognized actuarial loss	2,478,898	2,261,854
	<u>\$ (6,127,183)</u>	<u>\$ (2,058,424)</u>
Net periodic benefit (credit) cost		
	<u>\$ (6,127,183)</u>	<u>\$ (2,058,424)</u>
Amounts recognized as changes in net assets without donor restrictions consist of:		
Net actuarial loss	<u>\$ 12,107,130</u>	<u>\$ 6,495,493</u>

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, 2021 is \$2,987,456.

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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, 2020 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pension assets:				
Mutual funds, domestic fixed income	\$ 80,902,192	\$ 80,902,192	\$ -	\$ -
Mutual funds, domestic equity	91,933,384	91,933,384	-	-
Mutual funds, international equity	60,496,463	60,496,463	-	-
Total assets in the fair value hierarchy	233,332,039	<u>\$ 233,332,039</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>1,013,659</u>			
Total assets at fair value	<u>\$ 234,345,698</u>			

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>\$ 218,657,852</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>975,869</u>			
Total assets at fair value	<u>\$ 219,633,721</u>			

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The Medical Center's pension plan weighted average asset allocations at December 31, 2020 and 2019, by asset category, are as follows:

<u>Asset Category</u>	<u>2020 Target Allocations</u>	<u>2020</u>	<u>2019 Target Allocations</u>	<u>2019</u>
Mutual funds invested in equity securities	60 %	65 %	60 %	64 %
Mutual funds invested in debt securities	40	35	40	36
		<u>100 %</u>		<u>100 %</u>

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:

2021	\$ 12,106,180
2022	12,992,263
2023	13,576,211
2024	13,926,507
2025	14,385,005
Thereafter	74,933,718

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, 2020 and 2019, the assets related to this plan are included in other assets and the related liability is included in other liabilities in the amount of \$2,194,010 and \$2,162,249, 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, 2020 and 2019, the assets related to this plan are included in other assets in the amount of \$4,979,321 and \$4,891,279, 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 2020 and 2019 was approximately \$5,916,000 and \$5,908,000, respectively.

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10. Noncontrolling Interests and Joint Ventures

The System records the noncontrolling interest as a reduction to other changes in net assets without donor restrictions on the consolidated statements of operations. At December 31, 2020 and 2019, Midjersey held a 43 percent interest in Hunterdon Center for Surgery LLC (HCS), which is consolidated due to its 51 percent ownership of voting shares. Midjersey also has a 67 percent interest in Hunterdon Imaging Associates.

The System records its interest in joint ventures under the equity method of accounting. Midjersey has a 50 percent interest in Bridgewater Ambulatory Surgery Center, LLC (BASC) and HMC has 50 percent interest in Hunterdon Ambulatory Services, LLC (HAS). The HAS and BASC joint ventures were created on December 1, 2019.

11. 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 \$362,000 and \$452,000 at December 31, 2020 and 2019, 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 \$2,865,000 and \$2,666,000 at December 31, 2020 and 2019, 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.

12. Operating Leases

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, 2020.

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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 as a reduction to the ROU assets, operating leases line of the accompanying consolidated statements of financial position at December 31, 2020.

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 6.02 and 5.71 years for the Medical Center's leases at December 31, 2020 and 2019, respectively. The weighted-average remaining lease term is 8.21 and 9.00 years for the Midjersey leases as of December 31, 2020 and 2019, respectively. 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, 2020 are as follows:

	<u>2020</u>	<u>2019</u>
Operating lease cost:		
Lease cost, leases with terms greater than one year	\$ 6,189,654	\$ 6,330,356
Short-term lease cost	<u>276,928</u>	<u>3,258,832</u>
Total lease cost	<u>\$ 6,466,582</u>	<u>\$ 9,589,188</u>

Future minimum payments under operating leases as of December 31, 2020 were as follows:

Years ending December 31:	
2021	\$ 6,344,567
2022	5,754,839
2023	4,815,946
2024	4,627,316
2025	3,752,099
Thereafter	<u>7,955,106</u>
Interest	<u>(6,497,898)</u>
Total operating lease obligations	<u>\$ 26,751,975</u>

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December 31, 2020 and 2019

13. Net Assets With Donor Restrictions

Net assets with donor restrictions in the amount of \$6,375,187 and \$6,455,350 at December 31, 2020 and 2019, 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 \$26,154,323 and \$25,426,060 at December 31, 2020 and 2019, respectively, are funds to be held in perpetuity by the System and consist of the beneficial interest in trusts and donor-restricted endowments. 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, 2020 and 2019.

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.

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements
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The following represents the net asset classes of the System's donor-restricted and board-designated endowment funds at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Board-designated endowment funds	\$ -	\$ 333,922
Donor-restricted endowment funds	<u>22,483,254</u>	<u>22,156,482</u>
Total	<u>\$ 22,483,254</u>	<u>\$ 22,490,404</u>

The following table presents changes in endowments for the years ended December 31, 2020 and 2019:

	<u>Board- Designated</u>	<u>Donor- Restricted</u>	<u>Total</u>
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 gains on investments	<u>472,059</u>	<u>7,688</u>	<u>479,747</u>
Endowment net assets, December 31, 2019	333,922	22,156,482	22,490,404
Contributions, net asset transfers and other changes	(333,922)	(817,799)	(1,151,721)
Investment income	-	5,819	5,819
Unrealized gain in fair value of investments	-	1,136,700	1,136,700
Net realized gain on investments	<u>-</u>	<u>2,052</u>	<u>2,052</u>
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 22,483,254</u>	<u>\$ 22,483,254</u>

14. Liquidity and Availability of Resources

For the years ended December 31, 2020 and 2019, the System has working capital of \$157,009,172 and \$99,595,380, respectively, as well as days cash on hand of 225 and 142, respectively.

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 120,353,454	\$ 51,396,942
Accounts receivable	46,004,156	46,537,044
Short-term Investments	38,402,792	38,874,363
Assets whose use is limited, board-designated	<u>68,944,397</u>	<u>51,350,032</u>
Total	<u>\$ 273,704,799</u>	<u>\$ 188,158,381</u>

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

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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 \$7,000,000 and \$6,000,000, as discussed in more detail in Note 8. As of December 31, 2020, \$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.

15. 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, 2020 and 2019 included in the consolidated statements of operations are as follows:

	2020			
	Healthcare Services	General and Administrative	Fundraising Expenses	Total
Salaries, wages and benefits	\$ 195,679,354	\$ 19,575,581	\$ 843,406	\$ 216,098,341
Physician fees	11,114,458	-	-	11,114,458
Supplies and services	95,540,251	22,601,473	254,497	118,396,221
Depreciation and amortization	10,398,616	9,048,850	-	19,447,466
Interest	2,584,288	152,960	-	2,737,248
Total	<u>\$ 315,316,967</u>	<u>\$ 51,378,864</u>	<u>\$ 1,097,903</u>	<u>\$ 367,793,734</u>
	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	<u>\$ 319,755,741</u>	<u>\$ 51,299,398</u>	<u>\$ 1,307,939</u>	<u>\$ 372,363,078</u>

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.

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

16. 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Other third-party payors	27.7 %	27.2 %
Medicare	20.1	26.6
Blue Cross	15.5	14.7
Self-pay patients	15.5	12.8
Aetna	18.3	15.8
Medicaid	2.9	2.9
	<u>100 %</u>	<u>100 %</u>

17. Income Taxes

The components of the provision (benefit) for income taxes for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Current income tax provision:		
Federal	\$ 2,000	\$ 2,000
	<u>2,000</u>	<u>2,000</u>
Deferred income tax provision (benefit):		
Federal	(259,354)	938,751
State	(74,239)	(48,965)
	<u>(333,593)</u>	<u>889,786</u>
Total	<u>\$ (331,593)</u>	<u>\$ 891,786</u>

For Midjersey, the (benefit) provision for income taxes for the years ended December 31, 2020 and 2019 was (\$333,593) and \$889,786, respectively. Midjersey had deferred tax assets of \$1,411,867 and \$1,076,118 at December 31, 2020 and 2019, 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.

The Pharmacy files federal and state income tax returns and recorded a current federal and state income tax provision of \$2,000 for the years ended December 31, 2020 and 2019, respectively.

The Pharmacy has deferred tax assets, prior to valuation allowance, of \$271,000 and \$172,000 at December 31, 2020 and 2019, respectively, which consisted primarily of federal and state net operating loss carryforwards. At December 31, 2020, the Pharmacy had a federal and state operating loss carryforward of approximately \$678,000, which is available to offset future taxable income and expires in 2025.

Hunterdon Healthcare System, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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.

18. 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, 2020, Midjersey's portion of the guarantees on the outstanding loans is \$2,363,747.

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position

December 31, 2020

	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	\$ 490,645	\$ 4,339,930	\$ 112,809,998	\$ 659,672	\$ 2,053,209	\$ -	\$ 120,353,454
Short-term investments	-	-	37,997,422	-	405,370	-	38,402,792
Patient accounts receivable	-	1,093,972	43,864,390	-	1,045,794	-	46,004,156
Assets whose use is limited	-	-	3,800,435	1,982,942	-	-	5,783,377
Inventories	-	-	5,313,695	-	309,305	-	5,623,000
Other receivables	-	304,020	5,445,015	-	-	-	5,749,035
Due from affiliates	-	-	-	2,055,405	-	(2,055,405)	-
Prepaid expenses and other current assets	-	622,488	5,887,964	1,016,209	165,907	-	7,692,568
Total current assets	490,645	6,360,410	215,118,919	5,714,228	3,979,585	(2,055,405)	229,608,382
Assets Whose Use is Limited (Exclusive of Current Portion):							
Board-designated funds	-	-	68,944,397	-	-	-	68,944,397
Donor-restricted assets	-	-	18,527,475	6,171,765	-	-	24,699,240
Total assets whose use is limited, net	-	-	87,471,872	6,171,765	-	-	93,643,637
Other Noncurrent Assets							
Due from related parties	194,795	-	1,097,714	-	-	(1,005,093)	287,416
Property and equipment, net	-	7,991,956	145,317,244	70,217	561,840	-	153,941,257
Right-of-use assets, operating leases	-	11,740,194	14,581,607	-	-	-	26,321,801
Beneficial interest in trusts	-	-	2,707,009	964,060	-	-	3,671,069
Beneficial interest in net assets of the Foundation	-	-	9,595,220	-	1,569,070	(11,164,290)	-
Real estate held for investment	-	-	213,099	-	-	-	213,099
Investments	-	-	-	2,736,130	-	-	2,736,130
Investment in subsidiary	6,225,198	-	-	-	-	(5,178,736)	1,046,462
Investment in controlled affiliates	238,182,306	-	-	-	-	(238,182,306)	-
Goodwill	-	413,532	6,242,040	-	-	-	6,655,572
Other assets	-	3,237,467	19,316,584	889,256	-	-	23,443,307
Total other noncurrent assets	244,602,299	23,383,149	199,070,517	4,659,663	2,130,910	(255,530,425)	218,316,113
Total assets	\$ 245,092,944	\$ 29,743,559	\$ 501,661,308	\$ 16,545,656	\$ 6,110,495	\$ (257,585,830)	\$ 541,568,132

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position

December 31, 2020

	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	\$ 20,730	\$ 1,327,507	\$ 23,364,378	\$ 153,408	\$ 595,566	\$ -	\$ 25,461,589
Accrued payroll and payroll taxes	-	-	24,733,797	-	-	-	24,733,797
Current portion of long-term debt and finance leases	-	1,097,148	2,964,646	-	-	-	4,061,794
Current portion of operating lease obligations	-	1,804,600	4,431,684	-	-	-	6,236,284
Accrued interest payable	-	-	1,038,608	-	-	-	1,038,608
Due to related parties	-	1,962	-	-	642,951	(644,913)	-
Estimated third-party payor settlements, net	-	-	390,130	-	-	-	390,130
Current portion of contract liability, third party advances	-	-	10,610,709	-	-	-	10,610,709
Other liabilities	-	-	-	66,300	-	-	66,300
Total current liabilities	<u>20,730</u>	<u>4,231,217</u>	<u>67,533,952</u>	<u>219,708</u>	<u>1,238,517</u>	<u>(644,913)</u>	<u>72,599,211</u>
Long-Term Liabilities							
Long-term debt and finance leases, net	-	8,596,349	115,370,358	-	-	-	123,966,707
Contract liability, third party advances	-	-	18,703,534	-	-	-	18,703,534
Operating lease obligations, net	-	9,989,915	10,525,776	-	-	-	20,515,691
Due to related parties	2,415,585	-	-	-	-	(2,415,585)	-
Other liabilities	-	-	14,039,903	-	-	-	14,039,903
Pension benefit liability	-	-	56,212,409	-	-	-	56,212,409
Estimated third-party payor settlements, net	-	-	2,290,996	-	-	-	2,290,996
Total long-term liabilities	<u>2,415,585</u>	<u>18,586,264</u>	<u>217,142,976</u>	<u>-</u>	<u>-</u>	<u>(2,415,585)</u>	<u>235,729,240</u>
Total liabilities	<u>2,436,315</u>	<u>22,817,481</u>	<u>284,676,928</u>	<u>219,708</u>	<u>1,238,517</u>	<u>(3,060,498)</u>	<u>308,328,451</u>
Net Assets							
Net assets without donor restrictions	198,962,829	-	188,457,602	2,727,996	3,302,908	(194,488,506)	198,962,829
Net assets with donor restrictions	43,693,800	-	28,526,778	13,597,952	1,569,070	(54,858,090)	32,529,510
Shareholders' Equity							
Midjersey shareholders' equity:							
Common stock	-	2,320,400	-	-	-	(2,320,400)	-
Additional paid-in capital	-	1,447,914	-	-	-	(1,447,914)	-
Retained earnings	-	1,410,422	-	-	-	(1,410,422)	-
Total Midjersey shareholders' equity	-	5,178,736	-	-	-	(5,178,736)	-
Noncontrolling Interests	-	1,747,342	-	-	-	-	1,747,342
Total net assets and shareholders' equity	<u>242,656,629</u>	<u>6,926,078</u>	<u>216,984,380</u>	<u>16,325,948</u>	<u>4,871,978</u>	<u>(254,525,332)</u>	<u>233,239,681</u>
Total liabilities and net assets	<u>\$ 245,092,944</u>	<u>\$ 29,743,559</u>	<u>\$ 501,661,308</u>	<u>\$ 16,545,656</u>	<u>\$ 6,110,495</u>	<u>\$ (257,585,830)</u>	<u>\$ 541,568,132</u>

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions

Year Ended December 31, 2020

	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	\$ -	\$ 8,399,272	\$ 304,218,894	\$ -	\$ 6,420,655	\$ -	\$ 319,038,821
Other revenue	4,548,630	6,116,712	41,516,858	1,611,270	143,231	(6,913,000)	47,023,701
Net assets released from restrictions for operations	-	-	901,308	1,259,718	814,318	(1,259,718)	1,715,626
Total revenues	4,548,630	14,515,984	346,637,060	2,870,988	7,378,204	(8,172,718)	367,778,148
Expenses							
Salaries, wages and benefits	2,540,050	3,040,351	205,816,788	1,054,257	3,646,895	-	216,098,341
Physician fees	-	-	11,114,458	-	-	-	11,114,458
Supplies and services	2,417,832	8,323,085	110,159,205	802,732	3,606,367	(6,913,000)	118,396,221
Interest	-	152,960	2,584,288	-	-	-	2,737,248
Depreciation and amortization	-	1,428,886	17,973,792	11,563	33,225	-	19,447,466
Total expenses	4,957,882	12,945,282	347,648,531	1,868,552	7,286,487	(6,913,000)	367,793,734
Operating (loss) income	(409,252)	1,570,702	(1,011,471)	1,002,436	91,717	(1,259,718)	(15,586)
Nonoperating revenues and gains, net	579	-	10,388,748	-	79,818	-	10,469,145
Equity in earnings of controlled affiliates	(557,785)	-	-	-	-	557,785	-
Equity in earnings of subsidiary	(603,379)	-	-	-	-	603,379	-
Excess (deficiency) of revenues and gains over expenses and losses before provision (benefit) for taxes	(1,569,837)	1,570,702	9,377,277	1,002,436	171,535	(98,554)	10,453,559
(Benefit) Provision for Income Taxes							
Federal	-	(259,354)	-	-	2,000	-	(257,354)
State	-	(74,239)	-	-	-	-	(74,239)
Total (benefit) provision for income taxes	-	(333,593)	-	-	2,000	-	(331,593)
Excess (deficiency) of revenues and gains over expenses and losses	(1,569,837)	1,904,295	9,377,277	1,002,436	169,535	(98,554)	10,785,152
Other Changes							
Change in net unrealized (losses) gains on investments, fixed income securities	-	-	345,661	-	(6,301)	-	339,360
Net assets released from restrictions for capital acquisitions	-	-	1,509,673	2,009,663	-	(2,009,663)	1,509,673
Pension-related changes other than net periodic pension cost	-	-	(12,107,130)	-	-	-	(12,107,130)
Net transfers from (to) related parties	-	-	410,782	(3,269,381)	-	3,269,381	410,782
Other changes	-	(1,243,990)	-	-	-	-	(1,243,990)
(Decrease) increase in net assets without donor restrictions	\$ (1,569,837)	\$ (603,379)	\$ (463,737)	\$ (257,282)	\$ 163,234	\$ 1,161,164	\$ (1,569,837)

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Midjersey Health Corporation

December 31, 2020

	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	\$ 2,295,114	\$ 369,636	\$ 350,190	\$ 1,297,007	\$ 27,983	\$ 4,339,930	\$ -	\$ 4,339,930
Patient accounts receivable, net	-	-	-	1,093,972	-	1,093,972	-	1,093,972
Other receivables	-	-	304,020	-	-	304,020	-	304,020
Due from related parties	4,789,657	2,624	-	(6,834)	-	4,785,447	(4,785,447)	-
Prepaid expenses and other current assets	78,006	1,033	27,280	516,169	-	622,488	-	622,488
Total current assets	7,162,777	373,293	681,490	2,900,314	27,983	11,145,857	(4,785,447)	6,360,410
Property and equipment, net	7,232,257	30,101	99,241	630,357	-	7,991,956	-	7,991,956
Right-of-use assets, operating leases	8,540,902	-	-	3,199,292	-	11,740,194	-	11,740,194
Goodwill, net	-	-	-	413,532	-	413,532	-	413,532
Other assets	2,955,994	-	281,473	-	-	3,237,467	-	3,237,467
Total assets	<u>\$ 25,891,930</u>	<u>\$ 403,394</u>	<u>\$ 1,062,204</u>	<u>\$ 7,143,495</u>	<u>\$ 27,983</u>	<u>\$ 34,529,006</u>	<u>\$ (4,785,447)</u>	<u>\$ 29,743,559</u>
Liabilities and Shareholders' Equity (Deficit)								
Current Liabilities								
Accounts payable and accrued expenses	\$ 449,992	\$ 3,277	\$ 22,163	\$ 856,065	\$ (3,990)	\$ 1,327,507	\$ -	\$ 1,327,507
Current portion of long-term debt	388,670	-	-	647,927	60,551	1,097,148	-	1,097,148
Current portion of operating lease obligations	1,205,944	-	-	598,656	-	1,804,600	-	1,804,600
Due to related parties	37,101	1,197	2,363	-	4,746,748	4,787,409	(4,785,447)	1,962
Total current liabilities	2,081,707	4,474	24,526	2,102,648	4,803,309	9,016,664	(4,785,447)	4,231,217
Long-term debt	8,371,780	-	-	24,957	199,612	8,596,349	-	8,596,349
Operating lease obligations, net	7,428,397	-	-	2,561,518	-	9,989,915	-	9,989,915
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	17,881,884	4,474	24,526	4,689,123	5,002,921	27,602,928	(4,785,447)	22,817,481
Shareholders' Equity (Deficit)								
Midjersey shareholders' equity (deficit):								
Common stock	985,000	15,400	300,000	1,020,000	-	2,320,400	-	2,320,400
Additional paid-in capital	1,447,914	-	-	-	-	1,447,914	-	1,447,914
Retained earnings (deficit)	5,577,132	383,520	391,805	32,903	(4,974,938)	1,410,422	-	1,410,422
Total Midjersey shareholders' equity (deficit)	8,010,046	398,920	691,805	1,052,903	(4,974,938)	5,178,736	-	5,178,736
Noncontrolling Interests								
Total equity (deficit)	-	-	345,873	1,401,469	-	1,747,342	-	1,747,342
Total liabilities and shareholders' equity (deficit)	8,010,046	398,920	1,037,678	2,454,372	(4,974,938)	6,926,078	-	6,926,078
Total liabilities and shareholders' equity (deficit)	<u>\$ 25,891,930</u>	<u>\$ 403,394</u>	<u>\$ 1,062,204</u>	<u>\$ 7,143,495</u>	<u>\$ 27,983</u>	<u>\$ 34,529,006</u>	<u>\$ (4,785,447)</u>	<u>\$ 29,743,559</u>

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, 2020

	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	\$ -	\$ -	\$ -	\$ 8,337,802	\$ 61,470	\$ 8,399,272	\$ -	\$ 8,399,272
Other revenue	1,866,928	145,734	3,441,626	662,384	40	6,116,712	-	6,116,712
Total revenues	1,866,928	145,734	3,441,626	9,000,186	61,510	14,515,984	-	14,515,984
Expenses								
Salaries, wages and benefits	310,985	-	-	2,775,193	(45,827)	3,040,351	-	3,040,351
Supplies and services	2,045,418	67,896	1,217,780	4,990,458	1,533	8,323,085	-	8,323,085
Interest	156,651	-	-	2,991	(6,682)	152,960	-	152,960
Depreciation and amortization	1,089,116	8,368	39,693	291,709	-	1,428,886	-	1,428,886
Total expenses	3,602,170	76,264	1,257,473	8,060,351	(50,976)	12,945,282	-	12,945,282
Income (loss) from operations	(1,735,242)	69,470	2,184,153	939,835	112,486	1,570,702	-	1,570,702
Provision (Benefit) for Income Taxes								
Federal	(259,354)	-	-	-	-	(259,354)	-	(259,354)
State	(74,239)	-	-	-	-	(74,239)	-	(74,239)
Total benefit for income taxes	(333,593)	-	-	-	-	(333,593)	-	(333,593)
Net income (loss)	(1,401,649)	69,470	2,184,153	939,835	112,486	1,904,295	-	1,904,295
Less Net Income Attributable to the Noncontrolling Interests								
Net income (loss) attributable to Midjersey	(1,401,649)	69,470	1,456,175	404,129	112,486	640,611	-	640,611
Other Changes	(1,243,990)	-	-	-	-	(1,243,990)	-	(1,243,990)
Dividends Received (Paid)	1,791,504	-	(1,344,734)	(446,770)	-	-	-	-
Increase (decrease) in shareholders' equity (deficit)	\$ (854,135)	\$ 69,470	\$ 111,441	\$ (42,641)	\$ 112,486	\$ (603,379)	\$ -	\$ (603,379)

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Hunterdon Regional Community Health, Inc.
December 31, 2020

	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	\$ 228,241	\$ 1,210,586	\$ 29,090	\$ 132,475	\$ 452,817	\$ 2,053,209	\$ -	\$ 2,053,209
Investments	-	-	-	-	405,370	405,370	-	405,370
Patient accounts receivable, net	-	636,594	-	408,638	562	1,045,794	-	1,045,794
Due from related parties	-	-	-	8,025	-	8,025	(8,025)	-
Inventories	-	-	-	309,305	-	309,305	-	309,305
Prepaid expenses and other current assets	-	-	-	165,907	-	165,907	-	165,907
Total current assets	228,241	1,847,180	29,090	1,024,350	858,749	3,987,610	(8,025)	3,979,585
Beneficial interest in net assets of the Foundation	977,897	339,500	133,338	-	118,335	1,569,070	-	1,569,070
Property and equipment, net	1	-	-	34,368	527,471	561,840	-	561,840
Total assets	<u>\$ 1,206,139</u>	<u>\$ 2,186,680</u>	<u>\$ 162,428</u>	<u>\$ 1,058,718</u>	<u>\$ 1,504,555</u>	<u>\$ 6,118,520</u>	<u>\$ (8,025)</u>	<u>\$ 6,110,495</u>
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ (28)	\$ 447,488	\$ 7,174	\$ 128,877	\$ 12,055	\$ 595,566	\$ -	\$ 595,566
Due to related parties	4	100,826	297,557	226,364	26,225	650,976	(8,025)	642,951
Total liabilities	(24)	548,314	304,731	355,241	38,280	1,246,542	(8,025)	1,238,517
Net Assets								
Net assets without donor restrictions	228,266	1,298,866	(275,641)	703,477	1,347,940	3,302,908	-	3,302,908
Net assets with donor restrictions	977,897	339,500	133,338	-	118,335	1,569,070	-	1,569,070
Total net assets	1,206,163	1,638,366	(142,303)	703,477	1,466,275	4,871,978	-	4,871,978
Total liabilities and net assets	<u>\$ 1,206,139</u>	<u>\$ 2,186,680</u>	<u>\$ 162,428</u>	<u>\$ 1,058,718</u>	<u>\$ 1,504,555</u>	<u>\$ 6,118,520</u>	<u>\$ (8,025)</u>	<u>\$ 6,110,495</u>

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, 2020

	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	\$ -	\$ 3,167,423	\$ 603,228	\$ 2,585,178	\$ 64,826	\$ 6,420,655	\$ -	\$ 6,420,655
Other revenue	-	52,027	10,892	51,598	28,714	143,231	-	143,231
Net assets released from restrictions for operations	-	176,288	73,487	-	564,543	814,318	-	814,318
Total revenues	-	3,395,738	687,607	2,636,776	658,083	7,378,204	-	7,378,204
Expenses								
Salaries, wages and benefits	-	2,284,618	784,241	351,630	226,406	3,646,895	-	3,646,895
Supplies and services	39	861,994	167,064	2,508,015	69,255	3,606,367	-	3,606,367
Depreciation	-	457	-	10,329	22,439	33,225	-	33,225
Total expenses	39	3,147,069	951,305	2,869,974	318,100	7,286,487	-	7,286,487
Operating income (loss)	(39)	248,669	(263,698)	(233,198)	339,983	91,717	-	91,717
Nonoperating Revenues and Gains								
Nonoperating revenues and gains, net	322	1,264	501	107	77,624	79,818	-	79,818
Benefit for income taxes	-	-	-	(2,000)	-	(2,000)	-	(2,000)
Excess (deficiency) of revenues over expenses	283	249,933	(263,197)	(235,091)	417,607	169,535	-	169,535
Change in Net Unrealized Losses on Investments, Fixed Income Securities	-	-	-	-	(6,301)	(6,301)	-	(6,301)
Transfer From related	-	-	-	-	-	-	-	-
Increase (decrease) in net assets without donor restrictions	\$ 283	\$ 249,933	\$ (263,197)	\$ (235,091)	\$ 411,306	\$ 163,234	\$ -	\$ 163,234

Hunterdon Healthcare System, Inc. and Affiliates

 Combining Schedule, Statement of Financial Position - Hunterdon Medical Center and Affiliates
 December 31, 2020

	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	\$ 108,036,888	\$ 2,956,751	\$ 1,772,475	\$ 43,884	\$ 112,809,998	\$ -	\$ 112,809,998
Short-term investments	37,997,422	-	-	-	37,997,422	-	37,997,422
Patient accounts receivable	37,205,155	2,941,976	3,159,571	557,688	43,864,390	-	43,864,390
Assets whose use is limited	3,800,435	-	-	-	3,800,435	-	3,800,435
Inventories	5,313,695	-	-	-	5,313,695	-	5,313,695
Other receivables	5,445,015	-	-	-	5,445,015	-	5,445,015
Prepaid expenses and other current assets	5,887,964	-	-	-	5,887,964	-	5,887,964
Total current assets	203,686,574	5,898,727	4,932,046	601,572	215,118,919	-	215,118,919
Assets Whose use is Limited (Exclusive of Current Position)							
Board-designated funds	68,944,397	-	-	-	68,944,397	-	68,944,397
Donor-restricted assets	18,527,475	-	-	-	18,527,475	-	18,527,475
Total assets whose use is limited, net	87,471,872	-	-	-	87,471,872	-	87,471,872
Other Noncurrent Assets							
Due from related parties	24,462,728	(4,153,135)	(18,212,194)	(999,685)	1,097,714	-	1,097,714
Property and equipment, net	145,317,244	-	-	-	145,317,244	-	145,317,244
Right-of-use assets, operating leases	14,581,607	-	-	-	14,581,607	-	14,581,607
Beneficial interest in trusts	2,707,009	-	-	-	2,707,009	-	2,707,009
Beneficial interest in net assets of the Foundation	9,595,220	-	-	-	9,595,220	-	9,595,220
Real estate held for investment	213,099	-	-	-	213,099	-	213,099
Goodwill	6,242,040	-	-	-	6,242,040	-	6,242,040
Other assets	19,316,584	-	-	-	19,316,584	-	19,316,584
Total other noncurrent assets	222,435,531	(4,153,135)	(18,212,194)	(999,685)	199,070,517	-	199,070,517
Total assets	\$ 513,593,977	\$ 1,745,592	\$ (13,280,148)	\$ (398,113)	\$ 501,661,308	\$ -	\$ 501,661,308
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Accounts payable and accrued expenses	\$ 23,322,499	\$ 33,965	\$ 7,914	\$ -	\$ 23,364,378	\$ -	\$ 23,364,378
Accrued payroll and payroll taxes	20,002,752	2,214,585	2,516,460	-	24,733,797	-	24,733,797
Current portion of long-term debt and finance leases	2,964,646	-	-	-	2,964,646	-	2,964,646
Current portion of operating lease obligations	4,431,684	-	-	-	4,431,684	-	4,431,684
Estimated third-party payor settlements	390,130	-	-	-	390,130	-	390,130
Current portion of contract liability, third party advances	9,270,000	440,562	868,798	31,349	10,610,709	-	10,610,709
Accrued interest payable	1,038,608	-	-	-	1,038,608	-	1,038,608
Total current liabilities	61,420,319	2,689,112	3,393,172	31,349	67,533,952	-	67,533,952
Estimated third-party payor settlements, net	2,290,996	-	-	-	2,290,996	-	2,290,996
Contract liability, third party advances	18,256,631	146,854	289,599	10,450	18,703,534	-	18,703,534
Long-term debt and finance leases, net	115,370,358	-	-	-	115,370,358	-	115,370,358
Operating lease obligations, net	10,525,776	-	-	-	10,525,776	-	10,525,776
Pension liability	56,212,409	-	-	-	56,212,409	-	56,212,409
Other liabilities	13,255,697	784,206	-	-	14,039,903	-	14,039,903
Total liabilities	277,332,186	3,620,172	3,682,771	41,799	284,676,928	-	284,676,928
Net Assets (Deficit)							
Net assets without donor restrictions	207,735,013	(1,874,580)	(16,962,919)	(439,912)	188,457,602	-	188,457,602
Net assets with donor restrictions	28,526,778	-	-	-	28,526,778	-	28,526,778
Total net assets (deficit)	236,261,791	(1,874,580)	(16,962,919)	(439,912)	216,984,380	-	216,984,380
Total liabilities and net assets (deficit)	\$ 513,593,977	\$ 1,745,592	\$ (13,280,148)	\$ (398,113)	\$ 501,661,308	\$ -	\$ 501,661,308

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, 2020

	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	\$ 249,668,452	\$ 30,101,607	\$ 20,609,444	\$ 3,839,391	\$ 304,218,894	\$ -	\$ 304,218,894
Other revenue	36,320,099	3,665,129	989,535	542,095	41,516,858	-	41,516,858
Net assets released from restrictions for operations	901,308	-	-	-	901,308	-	901,308
Total revenues	<u>286,889,859</u>	<u>33,766,736</u>	<u>21,598,979</u>	<u>4,381,486</u>	<u>346,637,060</u>	<u>-</u>	<u>346,637,060</u>
Expenses							
Salaries, wages and benefits	172,649,920	14,465,941	18,700,927	-	205,816,788	-	205,816,788
Physician fees	11,114,458	-	-	-	11,114,458	-	11,114,458
Supplies and services	82,751,414	16,420,025	7,532,443	3,455,323	110,159,205	-	110,159,205
Depreciation and amortization	17,973,792	-	-	-	17,973,792	-	17,973,792
Interest	2,584,288	-	-	-	2,584,288	-	2,584,288
Total expenses	<u>287,073,872</u>	<u>30,885,966</u>	<u>26,233,370</u>	<u>3,455,323</u>	<u>347,648,531</u>	<u>-</u>	<u>347,648,531</u>
Operating income (loss)	<u>(184,013)</u>	<u>2,880,770</u>	<u>(4,634,391)</u>	<u>926,163</u>	<u>(1,011,471)</u>	<u>-</u>	<u>(1,011,471)</u>
Nonoperating Revenues and Gains							
Interest and dividend income	3,722,304	3,093	-	129	3,725,526	-	3,725,526
Net pension periodic benefit credit	6,127,183	-	-	-	6,127,183	-	6,127,183
Net realized gains on investments	268,405	-	-	-	268,405	-	268,405
Change in value of derivative financial instruments	(72,954)	-	-	-	(72,954)	-	(72,954)
Change in net unrealized gains and losses on equity securities	4,001,948	-	-	-	4,001,948	-	4,001,948
Loss on bond defeasance	(3,661,360)	-	-	-	(3,661,360)	-	(3,661,360)
Total nonoperating revenues and gains, net	<u>10,385,526</u>	<u>3,093</u>	<u>-</u>	<u>129</u>	<u>10,388,748</u>	<u>-</u>	<u>10,388,748</u>
Excess (deficiency) of revenues and gains over expenses and losses	10,201,513	2,883,863	(4,634,391)	926,292	9,377,277	-	9,377,277
Change in Net Unrealized Gains and Losses on Investments, Fixed Income Securities							
	345,661	-	-	-	345,661	-	345,661
Net Asset Transfers From Related Parties							
	410,782	-	-	-	410,782	-	410,782
Pension-Related Changes Other Than Net Periodic Pension Cost							
	(12,107,130)	-	-	-	(12,107,130)	-	(12,107,130)
Net Assets Released From Restrictions for Capital Acquisitions							
	1,509,673	-	-	-	1,509,673	-	1,509,673
(Decrease) increase in net assets without donor restrictions	<u>\$ 360,499</u>	<u>\$ 2,883,863</u>	<u>\$ (4,634,391)</u>	<u>\$ 926,292</u>	<u>\$ (463,737)</u>	<u>\$ -</u>	<u>\$ (463,737)</u>

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 related parties	-	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 related parties	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 related parties	-	(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 related parties	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							
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 (losses), net							
Equity in earnings of controlled affiliates	862	-	13,742,092	-	22,458	-	13,765,412
Equity in earnings of subsidiary	24,132,305	-	-	-	-	(24,132,305)	-
	(1,228,613)	-	-	-	-	1,228,613	-
Excess (deficiency) of revenues and gains over expenses and losses before provision for taxes	22,451,007	1,244,818	24,241,269	1,630,572	(302,222)	(22,903,692)	26,361,752
(Benefit) Provision for Income Taxes							
Federal	-	938,751	-	-	2,000	-	940,751
State	-	(48,965)	-	-	-	-	(48,965)
Total provision 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 related parties	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	<u>\$ 28,298,157</u>	<u>\$ 336,562</u>	<u>\$ 931,100</u>	<u>\$ 6,998,039</u>	<u>\$ 223,422</u>	<u>\$ 36,787,280</u>	<u>\$ (5,140,870)</u>	<u>\$ 31,646,410</u>
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 related parties	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
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)	<u>\$ 28,298,157</u>	<u>\$ 336,562</u>	<u>\$ 931,100</u>	<u>\$ 6,998,039</u>	<u>\$ 223,422</u>	<u>\$ 36,787,280</u>	<u>\$ (5,140,870)</u>	<u>\$ 31,646,410</u>

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 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) before benefit for income taxes	(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 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)	-	-	-	-
(Decrease) increase 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
Short-term investments	-	-	-	-	565,549	565,549	-	565,549
Accounts receivable, net	-	570,728	69,721	443,617	7,617	1,091,683	-	1,091,683
Due from related parties	-	-	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	<u>\$ 1,159,003</u>	<u>\$ 1,747,298</u>	<u>\$ 702,464</u>	<u>\$ 1,176,308</u>	<u>\$ 1,220,997</u>	<u>\$ 6,006,070</u>	<u>\$ (40,364)</u>	<u>\$ 5,965,706</u>
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	\$ (30)	\$ 212,627	\$ 22,612	\$ 59,405	\$ 24,707	\$ 319,321	\$ -	\$ 319,321
Due to related parties	616	101,772	438,705	178,335	144,546	863,974	(40,364)	823,610
Total current 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	<u>\$ 1,159,003</u>	<u>\$ 1,747,298</u>	<u>\$ 702,464</u>	<u>\$ 1,176,308</u>	<u>\$ 1,220,997</u>	<u>\$ 6,006,070</u>	<u>\$ (40,364)</u>	<u>\$ 5,965,706</u>

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 (Losses)								
Nonoperating revenues and gains (losses), 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 related parties	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 related parties	-	-	-	-	-	-	-
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 service 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	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 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