Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Financial Statements
and Supplementary Information

December 31, 2018 and 2017

Hunterdon Healthcare System, Inc. and Affiliates

Table of Contents
December 31, 2018 and 2017

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, 2018 and 2017, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 financial position of Hunterdon Healthcare System, Inc. and Affiliates as of December 31, 2018 and 2017, 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 36 to 53 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
June 26, 2019

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 32,243,330	$ 36,197,361
Short-term investments	38,563,099	48,615,949
Patient accounts receivable, net	41,722,243	33,785,895
Assets whose use is limited	1,019,848	1,017,495
Inventories	1,902,040	2,144,601
Other receivables	3,050,220	2,841,649
Prepaid expenses and other current assets	5,283,627	4,800,527
Total current assets	123,784,407	129,403,477
Assets Whose Use is Limited (Exclusive of Current Portion)		
Board-designated funds	49,030,165	53,282,648
Donor-restricted assets	25,559,625	26,728,151
Total assets whose use is limited, net	74,589,790	80,010,799
Other Noncurrent Assets		
Property and equipment, net	169,515,622	156,109,029
Beneficial interest in trusts	2,549,890	3,450,256
Real estate held for investment	213,099	213,099
Investment in affiliate	-	33,053
Investment in subsidiary	1,179,940	1,243,928
Goodwill	5,263,572	4,182,992
Other assets	16,356,038	15,815,228
Total other noncurrent assets	195,078,161	181,047,585
Total assets	$ 393,452,358	$ 390,461,861

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 20,449,587	$ 21,209,461
Accrued payroll and payroll taxes	15,269,620	12,641,686
Current portion of long-term debt and capital leases	2,801,781	2,270,828
Accrued interest payable	1,046,035	1,048,308
Estimated third-party payor settlements, net	1,072,420	1,709,859
Other liabilities	88,326	162,733
Total current liabilities	40,727,769	39,042,875
Long-Term Liabilities		
Long-term debt and capital leases, net	75,962,645	72,843,094
Other liabilities	10,678,432	10,236,577
Pension benefit liability	45,795,393	41,961,129
Estimated third-party payor settlements, net	6,573,052	6,975,497
Total long-term liabilities	139,009,522	132,016,297
Total liabilities	179,737,291	171,059,172
Net Assets		
Net assets without donor restrictions	178,081,659	182,935,053
Net assets with donor restrictions	34,051,170	34,824,977
Total net assets	212,132,829	217,760,030
Noncontrolling interests	1,582,238	1,642,659
Total liabilities and net assets	$ 393,452,358	$ 390,461,861

See notes to consolidated financial statements

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Operations
Years Ended December 31, 2018 and 2017

	2018	2017
Revenues		
Patient service revenue (net of contractual allowances and discounts)	$ 340,557,116	$ 316,815,648
Provision for bad debts	-	(3,253,939)
Net patient service revenue less provision for bad debts	340,557,116	313,561,709
Other revenue	23,909,612	23,612,083
Net assets released from restrictions for operations	1,147,160	910,758
Total revenues	365,613,888	338,084,550
Expenses		
Salaries, wages, and benefits	218,072,994	201,129,637
Physician fees	8,872,620	8,352,510
Supplies and services	113,252,945	102,910,054
Interest	2,998,462	2,888,713
Depreciation and amortization	19,557,084	19,066,720
Total expenses	362,754,105	334,347,634
Operating income	2,859,783	3,736,916
Nonoperating revenues and gains, net	10,292,232	6,841,952
Excess of revenues and gains over expenses before (benefit) provision for income taxes	13,152,015	10,578,868
(Benefit) Provision for Income Taxes		
Federal	(271,452)	307,664
State	(86,130)	96,288
Total (benefit) provision for income taxes	(357,582)	403,952
Excess of revenues and gains over expenses and losses	13,509,597	10,174,916
Other Changes		
Change in net unrealized (losses) gains on investment securities, other than trading securities	(5,543,898)	5,461,556
Net assets released from restrictions for capital acquisitions	112,693	1,500,000
Pension-related changes other than net periodic pension cost	(10,979,727)	(14,450,445)
Other changes	(122,459)	-
Net income attributable to noncontrolling interests	(1,829,600)	(1,959,688)
(Decrease) increase in net assets without donor restrictions	$ (4,853,394)	$ 726,339

See notes to consolidated financial statements

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2018 and 2017

	2018	2017
Changes in Net Assets Without Donor Restrictions		
Excess of revenues and gains over expenses and losses	$ 13,509,597	$ 10,174,916
Change in net unrealized (losses) gains on investment securities, other than trading securities	(5,543,898)	5,461,556
Net assets released from restrictions for capital acquisitions	112,693	1,500,000
Pension-related changes other than net periodic pension cost	(10,979,727)	(14,450,445)
Other changes	(122,459)	-
Net income attributable to noncontrolling interests	(1,829,600)	(1,959,688)
(Decrease) increase in net assets without donor restrictions	(4,853,394)	726,339
Changes in Net Assets With Donor Restrictions		
Contributions	1,583,857	1,696,295
Investment income from donor-restricted assets	302,931	268,894
Net realized gains on investment securities	688,777	44,445
Change in net unrealized (losses) gains on investment securities	(1,779,225)	2,145,526
Change in value of beneficial interest in trusts	(310,294)	276,332
Net assets released from restrictions	(1,259,853)	(2,410,758)
(Decrease) increase in net assets with donor restrictions	(773,807)	2,020,734
(Decrease) increase in net assets	(5,627,201)	2,747,073
Net Assets, Beginning	217,760,030	215,012,957
Net Assets, Ending	$ 212,132,829	$ 217,760,030

See notes to consolidated financial statements

Hunterdon Healthcare System, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (5,627,201)	$ 2,747,073
Adjustments to reconcile (decrease) increase in net assets provided by operating activities:		
Change in beneficial interest in trusts	900,366	(315,584)
(Gain) on sale of assets	(7,002)	(500)
Depreciation and amortization	19,557,084	19,117,550
Provision for bad debts, net	-	3,253,939
Net realized and unrealized losses (gains) on investment securities	5,456,242	(8,071,578)
Net income attributable to noncontrolling interests	1,829,600	1,959,688
Accretion of bond premium, net of amortization of bond discount	(78,138)	(78,137)
Pension-related changes other than net periodic pension cost	10,979,727	14,450,445
Change in value of derivatives	(102,201)	(126,222)
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(7,936,348)	(7,768,700)
(Decrease) in estimated third-party payor settlements, net	(1,039,884)	(355,260)
Net change in other operating assets and liabilities	(7,251,490)	(4,731,419)
Net cash provided by operating activities	16,680,755	20,081,295
Cash Flows from Investing Activities		
Acquisition of property and equipment	(31,528,130)	(27,248,209)
Proceeds from sale of assets	-	500
Sales (purchases) of assets whose use is limited and investments, net	10,015,264	(3,515,697)
Purchase of physician practices	(305,500)	(1,257,869)
Net cash used in investing activities	(21,818,366)	(32,021,275)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt	3,317,498	4,366,612
Repayment of long-term debt and capital lease obligations	(227,020)	(2,537,827)
Payment of annuity obligations	(16,877)	(16,877)
Distributions to noncontrolling interests	(1,890,021)	(2,346,009)
Net cash provided by (used in) financing activities	1,183,580	(534,101)
Net decrease in cash and cash equivalents	(3,954,031)	(12,474,081)
Cash and Cash Equivalents, Beginning	36,197,361	48,671,442
Cash and Cash Equivalents, Ending	$ 32,243,330	$ 36,197,361
Supplemental Disclosures of Cash Flow Information		
Interest paid, including capitalized interest	$ 3,000,735	$ -
Taxes paid	$ 551,000	$ 212,732
Acquisitions of property and equipment through capital leases	$ 638,164	$ -

See notes to consolidated financial statements

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

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

In 2015, the Hunterdon 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 non-provider based diagnostic and therapeutic services.

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

Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

Cash equivalents include cash on hand and highly liquid investments with an original maturity of twelve 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, Net

The System assesses collectability on patient contracts prior to the recognition of net patient service revenues. Patient accounts receivable, net, 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 Revenue

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. Revenue is 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. Revenue for performance obligations satisfied at a point in time, which generally relates to patients receiving outpatient services, is recognized when goods or services are provided and the System does not believe it is required to provide additional services to the patient.

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

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

The System has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. The System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. However, in these cases the financing component is not deemed to be significant to the contract.

Contributions Receivable

Contributions receivable are recognized as revenue in the period received. Contributions receivable are recorded at present value using discount rates ranging from 4.78 percent to 6.04 percent and are included in other receivables in the consolidated statements of financial position. At December 31, 2018 and 2017, net contributions receivable of approximately $1,783,000 and $1,537,000, respectively, were recorded. Approximately $408,583 of the gross contributions receivable is expected to be collected by December 31, 2019 and the remainder of the balance is expected to be collected during 2020 and beyond.

Inventories

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

Investments and Assets Whose Use is Limited

Assets whose use is limited primarily includes assets held by trustees under indenture agreements; designated assets set aside by the board of trustees for future capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes; and donor-restricted assets. Amounts required to meet current liabilities of the System have been reclassified as current assets in the consolidated statements of financial position at December 31, 2018 and 2017.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investments in commingled funds are recognized at fair value as estimated by the external investment managers and is based on the net asset value of the funds. The System reviews and evaluates the net asset values provided by the external investment managers for reasonableness. Investment income or loss (including realized gains and losses on investments and interest and dividends) is included in excess of revenues and gains over expenses and losses unless the income or loss is restricted by donor or law. Gains and losses on the sale of investments are based on an identified cost basis. Unrealized gains and losses on investments are excluded from excess of revenues and gains over expenses and losses since investments are classified as investments held for sale. 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 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, 2018 and 2017.

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

Property and Equipment

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

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or acquired long-lived assets are placed in service.

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

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

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. The fair value of these assets is based on the net asset value reported by the fund manager, which are reviewed by management for reasonableness. Adjustments to the trust to reflect changes in fair value are recognized as additional contributions to net assets with donor restrictions.

Deferred Financing Costs

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. The System tests goodwill annually for impairment or earlier upon the occurrence of certain events or substantive changes in circumstances that indicate goodwill is more likely than not impaired.

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 With Donor Restrictions

Net assets with donor restrictions are those whose use by the System has been limited by donors to a specific time period or purpose, and those that have been restricted by donors to be maintained by the System in perpetuity.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported nonoperating revenues and gains. A number of unpaid volunteers contribute their time to the System and other affiliates of the System. The value of this contributed time is not reflected in the consolidated financial statements.

Charitable Gifts Annuities

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

Excess of Revenues and Gains Over Expenses and Losses

The System's operating income includes all unrestricted revenues and expenses. Nonoperating revenues and gains, net include unrestricted investment income and realized gains on investments, unrestricted contributions and change in value of derivatives. The consolidated statements of operations also include 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 excess of revenues and gains over expenses and losses, consistent with industry practice, include unrealized gains and losses on investments other-than-trading securities, permanent transfers of assets to and from affiliates for other than goods and services, pension-related changes other than net periodic pension cost, and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).

Other Revenue

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

Estimated Malpractice Costs

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

Derivative Instruments and Hedging Activities

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

Income Taxes

The System, the Medical Center, the Foundation and HRCH, except for the two affiliates of HRCH mentioned below, are tax-exempt not-for-profit organizations under Section 501(c)(3) of the Code. Accordingly, these organizations are not subject to income taxes on income generating activities that are substantially related to their tax-exempt purposes or that are statutorily excluded from income tax for organizations exempt under Section 501(c)(3). Therefore, no provision for federal and state income taxes is required. The federal tax-exempt organization business income tax returns are no longer subject to examination by the Internal Revenue Service for years before 2015.

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.

Subsequent Events

The System evaluated subsequent events for recognition or disclosure through June 26, 2019, the date the consolidated financial statements were issued. In January 2019, the Medical Center entered into a contract to construct a one and a half megawatt natural gas-fired combined heat and power plant on its campus. The total cost of the project is estimated to be approximately $10,900,000 and will be funded through receipt of a sub-recipient grant from the New Jersey Economic Development Authority by the United States Department of Housing and Urban Development Community Development Block Grant-Disaster Recovery Program and a low-interest loan from Energy Resilience Bank.

New Accounting Standards

Revenue from Contracts with Customers

In 2018, the System adopted the FASB Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (patients) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements. The System applied the modified retrospective approach to all contracts when adopting ASU No. 2014-09. As a result of the adoption, the majority of what was previously classified as the provision for bad debts in the consolidated statements of operations is now reflected as implicit price concessions, as defined in Topic 606, and therefore included as a reduction of net patient service revenues. For changes in transaction price related to changes in patient circumstances, the System will prospectively recognize those amounts as a provision for bad debts within operating expenses on the consolidated statements of operations. For periods prior to January 1, 2018, the provision for bad debts has been presented consistent with the previous revenue recognition standards that required separate presentation of these amounts as a component of net patient service revenue. Additionally, as a result of the adoption of ASU No. 2014-09, the allowance for doubtful accounts of approximately $16,012,000 as of January 1, 2018 was reclassified as a component of patient accounts receivable, net.

Not-for-Profit Financial Statement Presentation

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in consolidated financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The System has applied the changes retrospectively to all periods presented except for the disclosures related to liquidity and availability of resources and functional expenses. The following summarizes the applicable financial reporting items reflected in the System's consolidated financial statements as required by ASU No. 2016-14:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets With Donor Restrictions;
- The functional expense disclosure for 2018 includes expenses reported both by nature and function (Note 14).
- The financial statements include a disclosure about liquidity and availability of resources (Note 13).

Pension Accounting

In 2018 the System adopted the FASB ASU No. 2017-07*, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. Under ASU No. 2017-07, the service cost component is required to be reported in the same line item as other compensation costs and other components of the net benefit cost are required to be presented in the consolidated statements of changes in net assets separately from the service cost component and outside of operating income (loss). The System has adjusted the presentation of the consolidated financial statements accordingly, recording the other components of net periodic pension (credit) cost as net periodic pension credit in the accompanying consolidated statements of operations. The System has applied the changes retrospectively to all periods presented (credit of $5,973,939 reclassified for 2017).

Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. ASU No. 2016-01 was issued to enhance the reporting model for financial instruments in financial statements. The provisions of ASU No. 2016-01 requires marketable equity securities to be reported at fair value with changes in fair value recognized within the performance indicator, establishes a qualitative factor in evaluating impairment on equity investments without readily determinable fair values, and eliminates the requirement to disclose the fair value on financial instruments measured at amortized cost. The System will be required to adopt the guidance in ASU No. 2016-01 for its fiscal year ending December 31, 2019. The System is currently assessing the impact that ASU No. 2016-01 will have on its consolidated financial statements.

Restricted Cash

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The System will be required to retroactively adopt the guidance in ASU No. 2016-18, with transitive provisions, for its fiscal year ending December 31, 2019. The System is currently assessing the impact that ASU No. 2016-18 will have on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the statement of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the System's leasing activities. The System will be required to retrospectively adopt the guidance in ASU No. 2016-02 for its fiscal year ending December 31, 2019. The System is currently assessing the impact that adoption of ASU No. 2016-02 will have on its consolidated financial statements.

2. Charity and Uncompensated Care

In furtherance of its charitable purpose, the Medical Center and HRCH provide 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 also 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 revenue. 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 $3,491,061 and $4,091,862 in 2018 and 2017, 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 revenue amounted to $318,836 and $216,055 for 2018 and 2017, respectively, and are included in other revenue in the accompanying consolidated statements of operations.

3. Net Patient Service Revenue

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

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

- **Medicaid:** Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge based on severity of illness. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services are paid at prospectively determined per diem rates. Outpatient services are paid based on a published fee schedule. The Medical Center's Medicaid cost reports have been settled through December 31, 2015.

- **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 non-acute 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, 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 revenue include favorable and unfavorable adjustments of approximately $860,000 and $1,328,000 in 2018 and 2017, respectively, related to tentative and/or final settlements of prior year cost reports and other third-party payor adjustments.

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

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

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

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

	2018	2017
Medicare	$ 109,310,368	$ 94,738,474
Medicaid	22,234,862	20,752,850
Aetna	50,235,970	49,413,450
Blue Cross	94,372,260	90,268,228
Self-pay/uninsured	4,313,538	3,920,234
Other third-party commercial	60,090,118	54,468,473
Total	$ 340,557,116	$ 313,561,709

	2018	2017
Inpatient	$ 88,464,169	$ 81,353,738
Outpatient	191,887,041	179,042,045
Physician services	60,205,906	53,165,926
Total	$ 340,557,116	$ 313,561,709

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

4. Investments and Assets Whose Use is Limited

The composition of short-term investments and assets whose use is limited at December 31, 2018 and 2017 is set forth in the following table:

	2018	2017
Short-term investments:		
Cash and cash equivalents	$ 156,637	$ 194,202
Certificates of deposit	2,921,248	3,989,816
Government bonds	1,475,171	4,361,220
Investment-grade corporate bonds	33,337,350	33,875,640
Mutual funds, fixed income	622,666	6,173,153
Accrued interest receivable	50,027	21,918
Total short-term investments	$ 38,563,099	$ 48,615,949
Assets whose use is limited:		
Board-designated funds,		
Cash and cash equivalents	$ 4,883,882	$ 5,509,208
Certificates of deposit	2,749,569	3,266,683
Mutual funds, international equity	6,530,277	7,626,345
Mutual funds, fixed income	15,780,371	14,051,806
Mutual funds, domestic equity	19,041,383	22,812,027
Accrued interest receivable	44,683	16,579
Total	49,030,165	53,282,648
Donor-restricted assets,		
Cash and cash equivalents	2,232,946	1,034,136
Commingled funds, U.S. large cap equities	4,722,379	5,997,405
Commingled funds, U.S. bonds	3,831,296	3,832,834
Mutual funds, international equity	2,566,944	3,002,165
Mutual funds, fixed income	4,835,088	4,540,771
Mutual funds, domestic equity	7,370,972	8,320,840
Total	25,559,625	26,728,151
Funds held by trustee under bond indenture agreement,		
Cash and cash equivalents	1,019,848	1,017,495
Total assets whose use is limited	75,609,638	81,028,294
Less current portion	1,019,848	1,017,495
Noncurrent portion of assets whose use is limited	$ 74,589,790	$ 80,010,799

Investment return consists of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Interest and dividends	$ 2,301,403	$ 2,089,784
Realized gains on the sale of investments	1,866,881	464,496
Change in net unrealized gains (losses) on investment securities	(7,323,123)	7,607,082
Total	$ (3,154,839)	$ 10,161,362

5. Fair Value Measurements and Financial Instruments

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

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

The levels of the fair value hierarchy are as follows:

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

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

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

The following tables present financial instruments measured at fair value at December 31, 2018 and 2017:

	Fair Value as of December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Short-term investments:				
Cash and cash equivalents	$ 206,664	$ 206,664	$ -	$ -
Certificates of deposit	2,921,248	2,921,248	-	-
Government bonds	1,475,171	-	1,475,171	-
Investment-grade corporate bonds	33,337,350	-	33,337,350	-
Mutual funds, fixed income	622,666	622,666	-	-
Assets whose use is limited:				
Cash and cash equivalents	8,181,359	8,181,359	-	-
Certificates of deposit	2,749,569	2,749,569	-	-
Mutual funds, international equity	9,097,221	9,097,221	-	-
Mutual funds, fixed income	20,615,459	20,615,459	-	-
Mutual funds, domestic equity	26,412,355	26,412,355	-	-
Beneficial interest in trusts	2,549,890	-	-	2,549,890
Total assets in the fair value hierarchy	108,168,952	$ 70,806,541	$ 34,812,521	$ 2,549,890
Assets recorded at net asset value (a)	8,553,675			
Assets at fair value	$ 116,722,627			
Liabilities:				
Swap agreements	$ 163,287	$ -	$ 163,287	$ -
Disclosed at Fair Value				
Cash and cash equivalents	$ 32,243,330	$ 32,243,330	$ -	$ -
Long-term debt, excluding capital lease obligations (carrying value of $76,481,423)	$ 79,538,407	$ -	$ 47,823,561	$ 31,714,846

	Fair Value as of December 31, 2017			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
Short-term investments:				
Cash and cash equivalents	$ 216,120	$ 216,120	$ -	$ -
Certificates of deposit	3,989,816	3,989,816	-	-
Government bonds	4,361,220	-	4,361,220	-
Investment-grade corporate bonds	33,875,640	-	33,875,640	-
Mutual funds, fixed income	6,173,153	6,173,153	-	-
Assets whose use is limited:				
Cash and cash equivalents	7,577,418	7,577,418	-	-
Certificates of deposit	3,266,683	3,266,683	-	-
Mutual funds, international equity	10,628,510	10,628,510	-	-
Mutual funds, fixed income	18,592,577	18,592,577	-	-
Mutual funds, domestic equity	31,132,867	31,132,867	-	-
Beneficial interest in trusts	3,450,256	-	-	3,450,256
Total assets in the fair value hierarchy	123,264,260	$ 81,577,144	$ 38,236,860	$ 3,450,256
Assets recorded at net asset value (a)	9,830,239			
Assets at fair value	$ 133,094,499			
Liabilities:				
Swap agreements	$ 265,487	$ -	$ 265,487	$ -
Disclosed at Fair Value				
Cash and cash equivalents	$ 36,197,361	$ 36,197,361	$ -	$ -
Long-term debt, excluding capital lease obligations (carrying value of $75,198,574)	$ 79,853,489	$ -	$ 49,499,631	$ 30,353,858

(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.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and certificates of deposit approximate fair value at December 31, 2018 and 2017 due to the short maturity of those financial instruments.

Marketable equity securities are valued at the closing price reported on the active market on which the individual security is traded.

Mutual funds are valued at the net asset value ("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.

Assets recorded at net asset value include commingled funds valued based on the net asset value of the fund held at the end of the year. The fair value is based on the funds' underlying investments using observable inputs in accordance with the GAAP.

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.

The fair value of long-term debt is calculated based on quoted market prices, if available, or estimated using quoted market prices of similar securities using a discount rate that a market participant would demand.

Changes to the beneficial interest in trusts in 2018 and 2017 were as follows:

	2018	2017
Beginning balance	$ 3,450,256	$ 3,134,672
Investment income from beneficial interest in trusts	24,175	23,546
Distributions from beneficial interest in trusts	(675,139)	(92,369)
Change in value of beneficial interest in trusts	(249,402)	384,407
Ending balance	$ 2,549,890	$ 3,450,256

6. Property and Equipment

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

	2018	2017
Land	$ 6,876,849	$ 6,876,849
Land improvements	7,905,788	7,905,788
Buildings	156,370,361	139,973,723
Leasehold improvements	24,891,325	17,021,412
Fixed equipment	50,616,166	49,234,384
Major moveable equipment	175,854,676	160,539,505
Minor equipment	51,244	51,244
Construction in progress	4,957,900	12,366,594
	427,524,309	393,969,499
Less accumulated depreciation and amortization	258,008,687	237,860,470
Total	$ 169,515,622	$ 156,109,029

7. Long-Term Debt and Capital Lease Obligations

Long-term debt at December 31, 2018 and 2017 consists of the following:

	2018	2017
New Jersey Health Care Facilities Financing Authority ("Authority") Revenue and Refunding Bonds, Series 2014A, Serial Bonds payable annually through July 1, 2030, bearing interest at a rate of 5% (a)	$ 1,845,000	$ 1,845,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2031, bearing interest at a rate of 5% (a)	1,940,000	1,940,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2032, bearing interest at a rate of 5% (a)	2,035,000	2,035,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2033, bearing interest at a rate of 5% (a)	2,140,000	2,140,000
Authority Revenue and Refunding Bonds, Series 2014A, Serial Bonds, maturing July 1, 2034, bearing interest at a rate of 5% (a)	2,245,000	2,245,000
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2036, bearing interest at a rate of 4% (a)	4,805,000	4,805,000
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2045, bearing interest at a rate of 5% (a)	18,225,000	18,225,000
Authority Revenue and Refunding Bonds, Series 2014A, Term Bonds, maturing July 1, 2045, bearing interest at a rate of 4% (a)	9,500,000	9,500,000

	2018	2017
Authority Refunding Bonds, Series 2014B, payable monthly through December 1, 2029, bearing interest at a fixed rate of 2.44% (a)	$ 16,260,000	$ 16,260,000
Authority Refunding Bonds, Series 2014C, payable monthly through December 1, 2019, bearing interest at a variable rate of 2.43% (a)	1,348,735	2,656,772
Authority Refunding Bonds, Series 2014D, payable monthly through December 1, 2034, bearing interest at a variable rate of 2.59% (a)	4,194,438	4,386,776
Term Loan with an interest rate equal to one-month LIBOR until principal commencement date of September 21, 2017 converting to a fixed interest rate of 3.5% thereafter, guaranteed by Hunterdon Medical Center, payable monthly through May 2036 (b)	9,644,011	6,866,817
Note payable with interest calculated at 4.00%, payable in 60 installments consisting of principal and interest through December 2022	149,666	183,494
Note payable with interest calculated at 4.00%, payable in 60 installments consisting of principal and interest through December 2022	117,996	-
	74,449,846	73,088,859
Less current portion due within one year	1,986,717	1,897,219
Long-term debt, excluding deferred financing costs, bond premium and original issue discount	72,463,129	71,191,640
Less deferred financing costs	525,936	562,858
Plus unamortized bond premium, net of discount	2,031,577	2,109,715
Long-term portion	$ 73,968,770	$ 72,738,497

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

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

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

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

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

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

Effective December 11, 2009, the Medical Center entered into an interest rate swap exchange agreement with TD Bank, N.A. On December 23, 2014, the Medical Center entered into a novation agreement with TD Bank, N.A. and the Toronto-Dominion Bank for the interest rate swap. The Toronto-Dominion Bank replaced TD Bank, N.A. as the counterparty, under this agreement. The novated swap agreement has a notional amount of $1,459,353 and requires the Medical Center to pay a fixed rate of 2.21 percent to the bank in exchange for the bank agreeing to pay the Medical Center a variable rate equal to 69 percent of one-month LIBOR (1.76 percent at December 31, 2018).

Effective December 23, 2014, the Medical Center entered into a novation agreement with TD Bank, N.A. and the Toronto-Dominion Bank. Under this agreement, an interest rate swap was transferred from Midjersey to the Medical Center and The Toronto-Dominion Bank replaced TD Bank, N.A. as the counterparty. The novated swap agreement has a notional amount of $4,210,891 and requires the Medical Center to pay a fixed rate of 2.5 percent to the bank in exchange for the bank agreeing to pay the Medical Center a variable rate equal to 69 percent of one-month LIBOR (1.76 percent at December 31, 2018).

At December 31, 2018 and 2017, the fair value of the derivative financial instruments is ($163,287) and ($265,487), respectively, and is included in other liabilities in the accompanying consolidated statements of financial position. The change in fair value recognized during the years ended December 31, 2018 and 2017, in the amount of $102,201 and $123,364, respectively, is recorded in the consolidated statements of operations and is included in the performance indicator.

(b) On May 13, 2016, Midjersey entered into a loan agreement with Fulton Bank of New Jersey to finance leasehold improvements in the System's secondary service area. These leasehold improvements include the fit-out of several physician practices which will be operated by the Medical Center. On behalf of Midjersey, the Medical Center is the guarantor of the loan. The guaranty is limited to $10,200,000 in principal, together with any scheduled interest thereon and shall continue to be effective for the life of the loan, currently a term of twenty years. At December 31, 2018 and 2017, the outstanding loan balance was $9,644,011 and $6,866,817, respectively.

(c) The Medical Center has a $6,000,000 unsecured line of credit with a bank. The interest rate at December 31, 2018 and 2017 was 4.0 percent and the term was extended to December 31, 2018. There are no amounts outstanding on the line of credit as of December 31, 2018 and 2017.

Future principal debt payments at December 31, 2018 are as follows:

Years ending December 31:	
2019	$ 1,986,717
2020	2,147,777
2021	2,209,019
2022	2,270,757
2023	2,268,055
Thereafter	63,567,521
Total	$ 74,449,846

Capital Lease Obligations

Capital 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, 2018 and 2017 consist of the following:

	2018	2017
TD Equipment Finance/Equipment (a)	$ 2,272,805	$ -
Siemens/Symbia S-Series (b)	-	62,318
TD Equipment Finance/Davinci Robot (c)	105,178	415,888
Karl Storz Capital (d)	148,584	-
AMO Sales (e)	250,281	-
Olympus Financial (f)	32,091	-
Subtotal	2,808,939	478,206
Less portion due within one year	815,064	373,609
Long-term portion	$ 1,993,875	$ 104,597

(a) During 2018, the Medical Center entered into a capital 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 2013, the Medical Center entered into two capital leases with Siemens for two pieces of radiology equipment. The terms of both leases are five years with a total monthly lease payment of $6,883, including interest, beginning October 11, 2013. The leases include interest at 2.93 percent and purchase options of $1 each at the end of the terms.

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

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

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

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

8. Pension Plans

Defined Benefit Pension Plan

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

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

The following tables set forth the plan's funded status, amounts recognized in the consolidated statements of financial position and components of net periodic pension cost for 2018 and 2017:

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 259,584,010	$ 233,560,667
Interest cost	8,199,550	8,533,075
Benefits paid	(8,445,328)	(13,171,376)
Actuarial loss (gain)	(20,470,280)	30,661,644
Benefit obligation at end of year	238,867,952	259,584,010
Change in plan assets:		
Fair value of plan assets at beginning of year	217,622,881	200,076,044
Actual return on plan assets	(16,104,994)	30,718,213
Benefits paid	(8,445,328)	(13,171,376)
Fair value of plan assets at end of year	193,072,559	217,622,881
Funded status	$ (45,795,393)	$ (41,961,129)
Amounts recognized in as changes in net assets without donor restrictions consist of:		
Net actuarial loss	$ 83,654,829	$ 72,675,102

The actuarial loss of $20,470,280 in 2018 is primarily attributed to a decrease in the discount rate.

	2018	2017
Weighted average assumptions used to determine benefit obligations at December 31:		
Discount rate	4.20 %	3.56 %
Rate of compensation increases	N/A	N/A
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	3.56 %	4.31 %
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increases	N/A	N/A
Components of net periodic benefit cost:		
Interest cost	$ 8,199,550	$ 8,533,075
Expected return on plan assets	(17,041,986)	(15,654,653)
Amortization of unrecognized actuarial loss	1,696,973	1,147,639
Net periodic benefit (credit) cost	$ (7,145,463)	$ (5,973,939)
Amounts recognized as changes in net assets without donor restrictions consist of:		
Net actuarial loss	$ 10,979,727	$ 14,450,445

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, 2019 is $2,219,962.

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, 2018 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Pension assets:				
Mutual funds, domestic fixed income	$ 77,478,553	$ 77,478,553	$ -	$ -
Mutual funds, domestic equity	69,443,330	69,443,330	-	-
Mutual funds, international equity	45,235,732	45,235,732	-	-
Cash and cash equivalents	914,944	914,944	-	-

The fair value hierarchy for the Medical Center's pension plan assets at December 31, 2017 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Pension assets:				
Mutual funds, domestic fixed income	$ 77,056,175	$ 77,056,175	$ -	$ -
Mutual funds, domestic equity	95,438,851	95,438,851	-	-
Mutual funds, international equity	43,986,649	43,986,649	-	-
Cash and cash equivalents	1,141,206	1,141,206	-	-

The Medical Center's pension plan weighted average asset allocations at December 31, 2018 and 2017, by asset category, are as follows:

Asset Category	2018 Target Allocations	2018	2017 Target Allocations	2017
Mutual funds invested in equity securities	63 %	60 %	64 %	66 %
Mutual funds invested in debt securities	37	40	36	36
		100 %		102 %

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 2019.

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

Years ending December 31:	
2019	$ 10,323,288
2020	11,228,682
2021	12,149,079
2022	13,034,481
2023	13,591,238
Thereafter	72,751,647

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, 2018 and 2017, the assets related to this plan are included in other assets and the related liability is included in other liabilities in the amount of $2,090,678 and $2,065,613, 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, 2018 and 2017, the assets related to this plan are included in other assets in the amount of $4,259,829 and $4,717,422, 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 2018 and 2017 was approximately $4,746,000 and $5,097,000, respectively.

9. Noncontrolling Interests in Joint Ventures

At December 31, 2018, Midjersey holds a 43 percent interest in Hunterdon Center for Surgery LLC ("HCS"); a 67 percent interest in Hunterdon Imaging Associates ("HIA"); a 100 percent interest in Delaware Valley Office Associates, Inc. ("DVOA"), which became wholly-owned in 2018; and a 100 percent interest in Bridgewater Ambulatory Surgery Center, LLC ("BASC"). Noncontrolling interest in joint ventures, as stated in the consolidated statements of financial position, represents the noncontrolling partners' share in the equity of HCS and HIA.

10. Professional and Patient Care Liability Insurance

The System has annually purchased a claims-made professional liability insurance policy, which provides coverage of $1,000,000 per occurrence and $3,000,000 annual aggregate. In addition, the System has purchased an additional layer of insurance above the base policy of $15,000,000. Beginning July 1, 2015, the System's professional liability insurance policy includes a deductible of $100,000 per occurrence and a $300,000 annual aggregate. Each individual employed physician is provided individual coverage in the amount of $3,000,000 per occurrence and $5,000,000 annual aggregate through a group purchased policy. Employed physicians are not covered by the System's policy or additional layer of insurance. The System has estimated losses and recorded an undiscounted liability of approximately $717,000 and $635,000 at December 31, 2018 and 2017, 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 $2,266,000 and $1,690,000 at December 31, 2018 and 2017, respectively.

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

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

11. Operating Leases

HRCH and Midjersey have entered into various noncancellable operating lease arrangements with terms in excess of one year for its office buildings and equipment and have sublease agreements, principally for office space with certain physicians. Additionally, the Medical Center is obligated under noncancellable operating leases with terms in excess of one year for certain equipment and office space. Rental expense for these operating leases was $12,398,632 in 2018 and $10,639,230 in 2017.

The required minimum lease payments at December 31, 2018 are as follows:

	Medical Center Lease Payments	HRCH Lease Payments	Midjersey Lease Payments	Subtotal	Subleases	Net Expense
2019	$ 5,396,575	$ 112,889	$ 2,223,716	$ 7,733,180	$ 867,330	$ 6,865,850
2020	4,073,759	112,889	1,700,424	5,887,072	317,764	5,569,308
2021	3,664,416	112,889	1,726,178	5,503,483	316,762	5,186,721
2022	3,433,400	112,889	1,765,573	5,311,862	328,908	4,982,954
2023	3,637,959	112,889	1,819,075	5,569,923	356,555	5,213,368
Thereafter	43,407,951	1,354,668	4,796,288	49,558,907	2,295,355	47,263,552
Total	$ 63,614,060	$ 1,919,113	$ 14,031,254	$ 79,564,427	$ 4,482,674	$ 75,081,753

12. Net Assets With Donor Restrictions

Net assets with donor restrictions in the amount of $11,423,575 and $11,355,341 at December 31, 2018 and 2017, respectively, are available for use by the System, as specified by the donor, for capital acquisitions, research, and education. Net assets with donor restrictions of $22,627,595 and $23,469,636 at December 31, 2018 and 2017, respectively, are funds to be held in perpetuity by the System. The income earned on these funds is expendable either to support patient care or as specified by the donor. Realized gains and losses are retained in either net assets without donor restrictions or net assets with donor restrictions in accordance with donors' wishes.

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

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in net assets without donor restrictions as of year-end. These deficiencies result from unfavorable market fluctuations. There were no such deficiencies as of December 31, 2018 and 2017.

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 dividends income earned on the accumulations to the permanently restricted endowment funds is classified as net assets with donor restrictions until appropriated by the boards.

Spending Policy

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

Return Objectives and Risk Parameters

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

The following represents the net asset classes of the System's donor-restricted and board-designated endowment funds at December 31, 2018 and 2017:

	2018	2017
Board-designated endowment funds	$ 2,206,356	$ 2,310,237
Donor-restricted endowment funds	20,421,239	21,159,399
Total	$ 22,627,595	$ 23,469,636

The following table presents changes in endowments for the years ended December 31, 2018 and 2017:

	Board-Designated	Donor-Restricted	Total
Endowment net assets at December 31, 2016	$ 2,049,630	$ 19,630,271	$ 21,679,901
Investment income	63,334	153,755	217,089
Unrealized gain (loss) in fair value of investments	192,434	1,611,505	1,803,939
Net realized gains on investments	4,839	23,545	28,384
Appropriation of endowment assets for expenditure	-	(259,677)	(259,677)
Endowment net assets at December 31, 2017	2,310,237	21,159,399	23,469,636
Contributions, net asset transfers, and other changes	-	(905,636)	(905,636)
Investment income	71,997	1,093,647	1,165,644
Unrealized gain (loss) in fair value of investments	(204,531)	(1,373,108)	(1,577,639)
Net realized gain (loss) on investments	28,653	446,937	475,590
Endowment net assets at December 31, 2018	$ 2,206,356	$ 20,421,239	$ 22,627,595

13. Liquidity and Availability of Resources

As of December 31, 2018, the System has working capital of approximately $83,098,000 and days cash on hand of 121.

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

Cash and cash equivalents	$ 32,243,330
Accounts receivable, net	41,722,243
Investments	38,563,099
Assets whose use is limited, board-designated	49,030,165
Total	$ 161,558,837

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

Additionally, the System maintains a $6,000,000 line of credit, as discussed in more detail in Note 7. As of December 31, 2018, $6,000,000 remained available on the System's line of credit.

14. Functional Expenses

The System provides general healthcare services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2018 and 2017 included in the consolidated statements of operations are as follows:

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

In 2017, approximately $284,520,000 related to healthcare services, approximately $406,000 related to fundraising, and approximately $49,422,000 related to general and administrative.

15. Concentration of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party arrangements. The significant concentrations of accounts receivable for services to patients include the following at December 31, 2018 and 2017:

	2018	**2017**
Other third-party payors	29.2 %	26.6 %
Medicare	25.1	24.1
Blue Cross	18.3	18.9
Self-pay patients	11.8	13.1
Aetna	12.5	12.9
Medicaid	3.1	4.4
	100 %	100 %

16. Income Taxes

The components of the (benefit) provision for income taxes for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Current income tax provision:		
Federal	$ -	$ 512,590
State	2,000	143,857
	2,000	656,447
Deferred income tax (benefit):		
Federal	(271,452)	(204,926)
State	(88,130)	(47,569)
	(359,582)	(252,495)
Total	$ (357,582)	$ 403,952

For Midjersey, the provision for income taxes for the years ended December 31, 2018 and 2017 was $358,082 and $400,452, respectively. Midjersey had deferred tax assets of $1,182,655 and $822,573 at December 31, 2018 and 2017, respectively, which are included in other assets in the consolidated statements of financial position. These amounts represent the deferred tax consequences attributable to temporary differences that will result in additional taxable income and a reduction of deductible expenses in future years. The temporary differences comprise lease payments, depreciation, and other temporary differences.

HCC and the Pharmacy file federal and state income tax returns on a separate company basis. HCC and the Pharmacy recorded a current federal and state income tax provision of $500 and $3,500 for the years ended December 31, 2018 and 2017, respectively.

Pharmacy has deferred tax assets, prior to valuation allowance, of $130,000 and $147,000 at December 31, 2018 and 2017, respectively, which consisted primarily of federal and state net operating loss carryforwards. At December 31, 2018, Pharmacy had a federal and state operating loss carryforward of approximately $325,000, which is available to offset future taxable income and expires in 2024.

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

17. Contingencies

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statues and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the System, if any, are not presently determinable.

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, 2018, Midjersey's portion of the guarantees on the outstanding loans is $2,550,723.

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position
December 31, 2018

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

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position
December 31, 2018

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

Hunterdon Healthcare System, Inc. and Affiliates

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

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

Hunterdon Healthcare System, Inc. and Affiliates

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

	Midjersey Health Corporation	Delaware Valley Office Associates	Hunterdon Imaging Associates	Hunterdon Center for Surgery, LLC	Hunterdon Medical Management, LLC	Bridgewater Surgery Center, LLC	Hunterdon Cardiovascular Health, LLC	Subtotal	Eliminations/ Reclassifications	Consolidated Total
Assets										
Current Assets										
Cash and cash equivalents	$ 2,370,859	$ 213,597	$ 424,182	$ 862,703	$ -	$ 70,200	$ -	$ 3,941,541	$ -	$ 3,941,541
Patient accounts receivable, net	-	-	-	634,545	-	48,019	-	682,564	-	682,564
Other receivables	124,012	-	349,085	-	-	-	-	473,097	-	473,097
Due from affiliates	5,336,152	6,300	-	-	-	-	-	5,342,452	(5,342,452)	-
Prepaid and other current assets	96,073	367	28,690	548,381	-	375,993	-	1,049,504	-	1,049,504
Total current assets	7,927,096	220,264	801,957	2,045,629	-	494,212	-	11,489,158	(5,342,452)	6,146,706
Investments	39,970	-	-	-	-	-	-	39,970	-	39,970
Property and equipment, net	9,373,804	47,262	178,627	711,086	-	2,789,541	-	13,100,320	-	13,100,320
Goodwill, net	-	-	-	413,532	-	-	-	413,532	-	413,532
Other assets	1,182,655	-	-	-	-	-	-	1,182,655	-	1,182,655
Total assets	$ 18,523,525	$ 267,526	$ 980,584	$ 3,170,247	$ -	$ 3,283,753	$ -	$ 26,225,635	$ (5,342,452)	$ 20,883,183
Liabilities and Shareholders' Equity										
Current Liabilities										
Accounts payable and accrued expenses	$ 947,725	$ 7,584	$ 73,436	$ 811,211	$ -	$ 247,637	$ -	$ 2,087,593	$ -	$ 2,087,593
Current portion of long-term debt	376,067	-	-	27,502	-	280,591	-	684,160	-	684,160
Due to affiliates	(34,329)	-	-	-	-	5,336,152	-	5,301,823	(5,342,452)	(40,629)
Total current liabilities	1,289,463	7,584	73,436	838,713	-	5,864,380	-	8,073,576	(5,342,452)	2,731,124
Long-term debt	9,168,568	-	-	90,494	-	300,031	-	9,559,093	-	9,559,093
Total liabilities	10,458,031	7,584	73,436	929,207	-	6,164,411	-	17,632,669	(5,342,452)	12,290,217
Shareholders' Equity (Deficit)										
Midjersey shareholders' equity (deficit):										
Common stock	985,000	15,400	300,000	1,020,000	-	-	-	2,320,400	(1,578,056)	742,344
Additional paid-in capital	1,447,914	-	-	-	-	-	-	1,447,914	-	1,447,914
Retained earnings	5,632,580	244,542	304,781	(58,831)	-	(2,880,658)	-	3,242,414	1,578,056	4,820,470
Total Midjersey shareholders' equity (deficit)	8,065,494	259,942	604,781	961,169	-	(2,880,658)	-	7,010,728	-	7,010,728
Noncontrolling Interests	-	-	302,367	1,279,871	-	-	-	1,582,238	-	1,582,238
Total equity (deficit)	8,065,494	259,942	907,148	2,241,040	-	(2,880,658)	-	8,592,966	-	8,592,966
Total liabilities and shareholders' equity (deficit)	$ 18,523,525	$ 267,526	$ 980,584	$ 3,170,247	$ -	$ 3,283,753	$ -	$ 26,225,635	$ (5,342,452)	$ 20,883,183

Hunterdon Healthcare System, Inc. and Affiliates

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

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

Hunterdon Healthcare System, Inc. and Affiliates

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

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

Hunterdon Healthcare System, Inc. and Affiliates

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

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

Hunterdon Healthcare System, Inc. and Affiliates

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

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

Hunterdon Healthcare System, Inc. and Affiliates

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

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

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position
December 31, 2017

	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	$ 216,980	$ 6,024,372	$ 25,760,758	$ 2,477,316	$ 1,717,935	$ -	$ 36,197,361
Short-term investments	-	-	48,121,596	-	494,353	-	48,615,949
Patient accounts receivable, net	-	714,169	32,113,609	-	958,117	-	33,785,895
Assets whose use is limited	-	-	1,017,495	-	-	-	1,017,495
Inventories	-	-	1,639,439	-	505,162	-	2,144,601
Other receivables	-	510,458	794,400	1,536,791	-	-	2,841,649
Due from affiliates	104,250	-	-	-	-	(104,250)	-
Prepaid expenses and other current assets	-	809,876	3,763,033	41,569	186,049	-	4,800,527
Total current assets	321,230	8,058,875	113,210,330	4,055,676	3,861,616	(104,250)	129,403,477
Assets Whose Use is Limited (Exclusive of Current Portion):							
Board-designated funds	-	-	53,282,648	-	-	-	53,282,648
Donor-restricted assets	-	-	18,511,409	8,216,742	-	-	26,728,151
Total assets whose use is limited, net	-	-	71,794,057	8,216,742	-	-	80,010,799
Other Noncurrent Assets							
Due from affiliates	-	-	1,295,673	2,314,614	-	(3,610,287)	-
Property and equipment, net	-	10,611,196	144,922,158	54,091	521,584	-	156,109,029
Beneficial interest in trusts	-	-	2,372,968	1,077,288	-	-	3,450,256
Beneficial interest in net assets of the Foundation	-	-	8,680,218	-	1,571,399	(10,251,617)	-
Real estate held for investment	-	-	213,099	-	-	-	213,099
Investment in affiliate	-	-	-	-	33,053	-	33,053
Investment in subsidiary	9,788,909	-	-	-	-	(8,544,981)	1,243,928
Investment in controlled affiliates	219,205,915	-	-	-	-	(219,205,915)	-
Goodwill	-	413,532	3,769,460	-	-	-	4,182,992
Other assets	-	920,873	14,894,355	-	-	-	15,815,228
Total other noncurrent assets	228,994,824	11,945,601	176,147,931	3,445,993	2,126,036	(241,612,800)	181,047,585
Total assets	$ 229,316,054	$ 20,004,476	$ 361,152,318	$ 15,718,411	$ 5,987,652	$ (241,717,050)	$ 390,461,861

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Financial Position
December 31, 2017

	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	$ 8,734	$ 2,840,713	$ 17,837,153	$ 68,036	$ 454,825	$ -	$ 21,209,461
Accrued payroll and payroll taxes	-	-	12,641,686	-	-	-	12,641,686
Current portion of long-term debt and capital leases	-	396,844	1,873,984	-	-	-	2,270,828
Accrued interest payable	-	-	1,048,308	-	-	-	1,048,308
Due to affiliate	-	31,365	2,509,905	17,776	(140,182)	(2,418,864)	-
Estimated third-party payor settlements, net	-	-	1,709,859	-	-	-	1,709,859
Other liabilities	-	-	-	162,733	-	-	162,733
Total current liabilities	8,734	3,268,922	37,620,895	248,545	314,643	(2,418,864)	39,042,875
Long-Term Liabilities							
Long-term debt and capital leases, net	-	6,547,914	66,295,180	-	-	-	72,843,094
Due to affiliates	1,295,673	-	-	-	-	(1,295,673)	-
Other liabilities	-	-	10,236,577	-	-	-	10,236,577
Pension benefit liability	-	-	41,961,129	-	-	-	41,961,129
Estimated third-party payor settlements, net	-	-	6,975,497	-	-	-	6,975,497
Total long-term liabilities	1,295,673	6,547,914	125,468,383	-	-	(1,295,673)	132,016,297
Total liabilities	1,304,407	9,816,836	163,089,278	248,545	314,643	(3,714,537)	171,059,172
Net Assets							
Net assets without donor restrictions	182,935,053	-	168,498,445	1,529,266	4,101,610	(174,129,321)	182,935,053
Net assets with donor restrictions	45,076,594	-	29,564,595	13,940,600	1,571,399	(55,328,211)	34,824,977
Shareholders' Equity							
Midjersey shareholders' equity:							
Common stock	-	742,344	-	-	-	(742,344)	-
Additional paid-in capital	-	1,447,914	-	-	-	(1,447,914)	-
Retained earnings	-	6,354,723	-	-	-	(6,354,723)	-
Total Midjersey shareholders' equity	-	8,544,981	-	-	-	(8,544,981)	-
Noncontrolling interests	-	1,642,659	-	-	-	-	1,642,659
Total shareholders' equity and net assets	228,011,647	10,187,640	198,063,040	15,469,866	5,673,009	(238,002,513)	219,402,689
Total liabilities and net assets	$ 229,316,054	$ 20,004,476	$ 361,152,318	$ 15,718,411	$ 5,987,652	$ (241,717,050)	$ 390,461,861

Hunterdon Healthcare System, Inc. and Affiliates

Consolidating Schedule, Statement of Operations and Changes in Net Assets Without Donor Restrictions
Year Ended December 31, 2017

	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							
Patient service revenue (net of contractual allowances and discounts)	$ -	$ 10,550,469	$ 298,462,894	$ -	$ 7,802,285	$ -	$ 316,815,648
Provision for bad debts	-	(172,079)	(3,003,227)	-	(78,633)	-	(3,253,939)
Net patient service revenue less provision for bad debts	-	10,378,390	295,459,667	-	7,723,652	-	313,561,709
Other revenue	4,745,540	5,913,874	15,841,787	908,828	219,438	(4,017,384)	23,612,083
Net assets released from restrictions for operations	-	-	380,292	788,396	476,040	(733,970)	910,758
Total revenues	4,745,540	16,292,264	311,681,746	1,697,224	8,419,130	(4,751,354)	338,084,550
Expenses							
Salaries, wages, and benefits	3,803,299	3,575,739	187,776,296	1,018,977	4,955,326	-	201,129,637
Physician fees	-	-	8,352,510	-	-	-	8,352,510
Supplies and services	853,019	9,008,195	94,046,678	1,555,187	3,698,329	(6,251,354)	102,910,054
Interest	-	133,807	2,754,906	-	-	-	2,888,713
Depreciation and amortization	-	753,859	18,249,532	22,513	40,816	-	19,066,720
Total expenses	4,656,318	13,471,600	311,179,922	2,596,677	8,694,471	(6,251,354)	334,347,634
Operating income (loss)	89,222	2,820,664	501,824	(899,453)	(275,341)	1,500,000	3,736,916
Nonoperating revenues and gains (losses), net	250,350	2,858	8,324,381	(1,500,000)	14,363	(250,000)	6,841,952
Equity in earnings of controlled affiliates	173,385	-	-	-	-	(173,385)	-
Equity in earnings of subsidiary	213,382	-	-	-	-	(213,382)	-
Excess (deficiency) of revenues and gains over expenses and losses before provision for taxes	726,339	2,823,522	8,826,205	(2,399,453)	(260,978)	863,233	10,578,868
Provision for Income Taxes							
Federal	-	305,164	-	-	2,500	-	307,664
State	-	95,288	-	-	1,000	-	96,288
Total provision for income taxes	-	400,452	-	-	3,500	-	403,952
Excess (deficiency) of revenues and gains over expenses and losses	726,339	2,423,070	8,826,205	(2,399,453)	(264,478)	863,233	10,174,916
Other Changes							
Change in net unrealized gains on investment securities	-	-	5,408,689	-	52,867	-	5,461,556
Net assets released from restrictions for capital acquisitions	-	-	1,500,000	1,500,000	-	(1,500,000)	1,500,000
Pension-related changes other than net periodic pension cost	-	-	(14,450,445)	-	-	-	(14,450,445)
Net income attributable to noncontrolling interests	-	(1,959,688)	-	-	-	-	(1,959,688)
Transfer from (to) affiliate	-	-	(2,912,000)	2,425,000	487,000	-	-
Dividends paid	-	(250,000)	-	-	-	250,000	-
Increase (decrease) in net assets without donor restrictions	$ 726,339	$ 213,382	$ (1,627,551)	$ 1,525,547	$ 275,389	$ (386,767)	$ 726,339

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Midjersey Health Corporation
December 31, 2017

	Midjersey Health Corporation	Delaware Valley Office Associates	Hunterdon Imaging Associates	Hunterdon Center for Surgery, LLC	Hunterdon Medical Management, LLC	Bridgewater Surgery Center, LLC	Hunterdon Cardiovascular Health, LLC	Subtotal	Eliminations/ Reclassifications	Consolidated Total
Assets										
Current Assets										
Cash and cash equivalents	$ 4,839,440	$ 141,206	$ 106,128	$ 853,323	$ -	$ 64,048	$ 20,227	$ 6,024,372	$ -	$ 6,024,372
Patient accounts receivable, net	-	-	-	714,169	-	-	-	714,169	-	714,169
Other receivables	133,306	-	377,152	-	-	-	-	510,458	-	510,458
Due from affiliates	2,147,339	-	-	-	-	-	-	2,147,339	(2,147,339)	-
Prepaid and other current assets	86,772	367	51,528	544,387	-	126,822	-	809,876	-	809,876
Total current assets	7,206,857	141,573	534,808	2,111,879	-	190,870	20,227	10,206,214	(2,147,339)	8,058,875
Investments	98,300	-	-	-	-	-	-	98,300	-	98,300
Property and equipment, net	7,921,994	56,905	184,626	501,899	-	1,945,772	-	10,611,196	-	10,611,196
Goodwill, net	-	-	-	413,532	-	-	-	413,532	-	413,532
Other assets	822,573	-	-	-	-	-	-	822,573	-	822,573
Total assets	$ 16,049,724	$ 198,478	$ 719,434	$ 3,027,310	$ -	$ 2,136,642	$ 20,227	$ 22,151,815	$ (2,147,339)	$ 20,004,476
Liabilities and Shareholders' Equity (Deficit)										
Current Liabilities										
Accounts payable and accrued expenses	$ 2,043,899	$ 5,054	$ 85,786	$ 553,626	$ -	$ 137,279	$ 15,069	$ 2,840,713	$ -	$ 2,840,713
Current portion of long-term debt	363,016	-	-	-	-	33,828	-	396,844	-	396,844
Due to affiliates	17,217	-	14,148	18,080	-	2,129,259	-	2,178,704	(2,147,339)	31,365
Total current liabilities	2,424,132	5,054	99,934	571,706	-	2,300,366	15,069	5,416,261	(2,147,339)	3,268,922
Long-term debt	6,398,248	-	-	-	-	149,666	-	6,547,914	-	6,547,914
Total liabilities	8,822,380	5,054	99,934	571,706	-	2,450,032	15,069	11,964,175	(2,147,339)	9,816,836
Shareholders' Equity (Deficit)										
Midjersey shareholders' equity (deficit):										
Common stock	985,000	15,400	300,000	1,020,000	-	-	20,145	2,340,545	(1,598,201)	742,344
Additional paid-in capital	1,447,914	-	-	-	-	-	-	1,447,914	-	1,447,914
Retained earnings (deficit)	4,794,430	149,242	113,006	33,432	-	(313,390)	(20,198)	4,756,522	1,598,201	6,354,723
Total Midjersey shareholders' equity (deficit)	7,227,344	164,642	413,006	1,053,432	-	(313,390)	(53)	8,544,981	-	8,544,981
Noncontrolling Interests	-	28,782	206,494	1,402,172	-	-	5,211	1,642,659	-	1,642,659
Total equity (deficit)	7,227,344	193,424	619,500	2,455,604	-	(313,390)	5,158	10,187,640	-	10,187,640
Total liabilities and shareholders' equity (deficit)	$ 16,049,724	$ 198,478	$ 719,434	$ 3,027,310	$ -	$ 2,136,642	$ 20,227	$ 22,151,815	$ (2,147,339)	$ 20,004,476

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, 2017

	Midjersey Health Corporation	Delaware Valley Office Associates	Hunterdon Imaging Associates	Hunterdon Center for Surgery, LLC	Hunterdon Medical Management, LLC	Bridgewater Surgery Center, LLC	Hunterdon Cardiovascular Health, LLC	Subtotal	Eliminations/ Reclassifications	Consolidated Total
Revenues										
Patient service revenue (net of contractual allowances and discounts)	$ -	$ -	$ -	$ 10,550,469	$ -	$ -	$ -	$ 10,550,469	$ -	$ 10,550,469
Provision for bad debts	-	-	-	(172,079)	-	-	-	(172,079)	-	(172,079)
Net patient service revenue less provision for bad debts	-	-	-	10,378,390	-	-	-	10,378,390	-	10,378,390
Other revenue	1,658,064	145,892	4,185,872	15,139	-	57	-	6,005,024	(91,150)	5,913,874
Total revenues	1,658,064	145,892	4,185,872	10,393,529	-	57	-	16,383,414	(91,150)	16,292,264
Expenses										
Salaries and benefits	284,561	-	-	3,012,885	-	278,293	-	3,575,739	-	3,575,739
Supplies and services	2,420,062	69,932	1,273,138	5,301,059	-	35,154	-	9,099,345	(91,150)	9,008,195
Interest	126,718	-	-	7,089	-	-	-	133,807	-	133,807
Depreciation and amortization	372,581	8,853	41,076	331,349	-	-	-	753,859	-	753,859
Total expenses	3,203,922	78,785	1,314,214	8,652,382	-	313,447	-	13,562,750	(91,150)	13,471,600
Income (loss) from operations	(1,545,858)	67,107	2,871,658	1,741,147	-	(313,390)	-	2,820,664	-	2,820,664
Change in Value of Derivatives	-	-	-	2,858	-	-	-	2,858	-	2,858
Income (loss) before provision for income taxes	(1,545,858)	67,107	2,871,658	1,744,005	-	(313,390)	-	2,823,522	-	2,823,522
Provision for Income Taxes										
Federal	305,164	-	-	-	-	-	-	305,164	-	305,164
State	95,288	-	-	-	-	-	-	95,288	-	95,288
Total provision for income taxes	400,452	-	-	-	-	-	-	400,452	-	400,452
Net income (loss)	(1,946,310)	67,107	2,871,658	1,744,005	-	(313,390)	-	2,423,070	-	2,423,070
Less Net Income Attributable to the Noncontrolling Interests	-	(8,482)	(957,123)	(994,083)	-	-	-	(1,959,688)	-	(1,959,688)
Net income (loss) attributable to Midjersey	(1,946,310)	58,625	1,914,535	749,922	-	(313,390)	-	463,382	-	463,382
Net Asset Transfer from (to) Affiliate	201,151	-	-	-	(201,151)	-	-	-	-	-
Dividends Received (Paid)	3,016,991	(87,360)	(2,278,781)	(900,850)	-	-	-	(250,000)	-	(250,000)
Increase (decrease) in shareholders' equity	$ 1,271,832	$ (28,735)	$ (364,246)	$ (150,928)	$ (201,151)	$ (313,390)	$ -	$ 213,382	$ -	$ 213,382

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Hunterdon Regional Community Health, Inc.
December 31, 2017

	Hunterdon Regional Community Health, Inc.	Hunterdon Hospice, Inc.	Visiting Health and Supportive Services, Inc.	Hunterdon Regional Pharmacy	Hunterdon Community Care	Briteside Adult Daycare	Subtotal	Eliminations	Consolidated Total
Assets									
Current Assets									
Cash and cash equivalents	$ 845,384	$ 607,159	$ 149,905	$ 54,662	$ -	$ 60,825	$ 1,717,935	$ -	$ 1,717,935
Investments	-	-	-	-	-	494,353	494,353	-	494,353
Accounts receivable, net	321	652,716	110,789	170,277	-	24,014	958,117	-	958,117
Due from affiliates	1,028,067	-	30,252	7,485	-	1,305	1,067,109	(1,067,109)	-
Inventories	4,782	-	-	500,380	-	-	505,162	-	505,162
Prepaid assets	-	-	1,957	184,092	-	-	186,049	-	186,049
Total current assets	1,878,554	1,259,875	292,903	916,896	-	580,497	4,928,725	(1,067,109)	3,861,616
Investment in Affiliate									
Investment in affiliate	4,000	-	-	-	33,053	-	37,053	(4,000)	33,053
Beneficial interest in net assets of Hunterdon Medical Center Foundation, Inc.	877,051	370,910	196,431	-	-	127,007	1,571,399	-	1,571,399
Property and equipment, net	12,887	1,553	1,370	284	-	505,490	521,584	-	521,584
Total assets	$ 2,772,492	$ 1,632,338	$ 490,704	$ 917,180	$ 33,053	$ 1,212,994	$ 7,058,761	$ (1,071,109)	$ 5,987,652
Liabilities and Net Assets									
Current Liabilities									
Accounts payable and accrued expenses	$ 25,477	$ 304,349	$ 22,685	$ 70,136	$ -	$ 32,178	$ 454,825	$ -	$ 454,825
Due to affiliates	12,381	112,174	271,291	490,961	-	40,120	926,927	(1,067,109)	(140,182)
Total current liabilities	37,858	416,523	293,976	561,097	-	72,298	1,381,752	(1,067,109)	314,643
Net Assets									
Net Assets without donor restrictions	1,857,583	844,905	297	356,083	33,053	1,013,689	4,105,610	(4,000)	4,101,610
Net Assets with donor restrictions	877,051	370,910	196,431	-	-	127,007	1,571,399	-	1,571,399
Total net assets	2,734,634	1,215,815	196,728	356,083	33,053	1,140,696	5,677,009	(4,000)	5,673,009
Total liabilities and net assets	$ 2,772,492	$ 1,632,338	$ 490,704	$ 917,180	$ 33,053	$ 1,212,994	$ 7,058,761	$ (1,071,109)	$ 5,987,652

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, 2017

	Hunterdon Regional Community Health, Inc.	Hunterdon Hospice, Inc.	Visiting Health and Supportive Services, Inc.	Hunterdon Regional Pharmacy	Hunterdon Community Care	Briteside Adult Daycare	Subtotal	Eliminations	Consolidated Total
Revenues									
Patient service revenue (net of contractual allowances	$ 252,162	$ 3,210,874	$ 1,510,311	$ 2,974,922	$ -	$ 361,898	$ 8,310,167	$ (507,882)	$ 7,802,285
Provision for bad debts	-	(76,538)	(1,395)	-	-	(700)	(78,633)	-	(78,633)
Net patient service revenue less provisions for bad debts	252,162	3,134,336	1,508,916	2,974,922	-	361,198	8,231,534	(507,882)	7,723,652
Other revenue	-	11,480	20,877	45,184	-	141,897	219,438	-	219,438
Net assets released from restrictions for operations	38,371	206,834	121,839	-	-	108,996	476,040	-	476,040
Total revenue	290,533	3,352,650	1,651,632	3,020,106	-	612,091	8,927,012	(507,882)	8,419,130
Expenses									
Salaries and benefits	299,526	2,338,072	1,579,509	346,757	-	391,462	4,955,326	-	4,955,326
Supplies and services	81,305	939,013	400,832	2,619,321	-	165,740	4,206,211	(507,882)	3,698,329
Depreciation	16,175	3,182	-	657	-	20,802	40,816	-	40,816
Total expenses	397,006	3,280,267	1,980,341	2,966,735	-	578,004	9,202,353	(507,882)	8,694,471
Operating (loss) income	(106,473)	72,383	(328,709)	53,371	-	34,087	(275,341)	-	(275,341)
Nonoperating Revenues and Gains									
Nonoperating revenues and gains, net	2,268	1,332	283	350	266	9,864	14,363	-	14,363
Provision for income taxes	-	-	-	(2,000)	(1,500)	-	(3,500)	-	(3,500)
(Deficiency) excess of revenues over expenses	(104,205)	73,715	(328,426)	51,721	(1,234)	43,951	(264,478)	-	(264,478)
Change in Net Unrealized Gains (Losses) on Investments	-	-	-	-	-	52,867	52,867	-	52,867
Transfer from Affiliate	(410,600)	-	262,000	706,220	(130,620)	-	427,000	60,000	487,000
(Decrease) increase in net assets without donor restrictions	$ (514,805)	$ 73,715	$ (66,426)	$ 757,941	$ (131,854)	$ 96,818	$ 215,389	$ 60,000	$ 275,389

Hunterdon Healthcare System, Inc. and Affiliates

Combining Schedule, Statement of Financial Position - Hunterdon Medical Center and Affiliates
December 31, 2017

	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	$ 22,852,741	$ 1,924,318	$ 929,214	$ 54,485	$ 25,760,758	$ -	$ 25,760,758
Short-term investments	48,121,596	-	-	-	48,121,596	-	48,121,596
Patient accounts receivable, net	23,330,852	4,429,428	4,075,280	278,049	32,113,609	-	32,113,609
Assets whose use is limited	1,017,495	-	-	-	1,017,495	-	1,017,495
Inventories	1,639,439	-	-	-	1,639,439	-	1,639,439
Other receivables	781,569	12,831	-	-	794,400	-	794,400
Prepaid expenses and other current assets	3,763,033	-	-	-	3,763,033	-	3,763,033
Total current assets	101,506,725	6,366,577	5,004,494	332,534	113,210,330	-	113,210,330
Assets whose use is limited (exclusive of current position):							
Board-designated funds	53,282,648	-	-	-	53,282,648	-	53,282,648
Donor-restricted assets	18,511,409	-	-	-	18,511,409	-	18,511,409
Total assets whose use is limited, net	71,794,057	-	-	-	71,794,057	-	71,794,057
Other Noncurrent Assets							
Due from affiliates	1,295,673	-	-	-	1,295,673	-	1,295,673
Property and equipment, net	144,922,158	-	-	-	144,922,158	-	144,922,158
Beneficial interest in trusts	2,372,968	-	-	-	2,372,968	-	2,372,968
Beneficial interest in net assets of the Foundation	8,680,218	-	-	-	8,680,218	-	8,680,218
Real estate held for investment	213,099	-	-	-	213,099	-	213,099
Goodwill	3,769,460	-	-	-	3,769,460	-	3,769,460
Other assets	14,894,355	-	-	-	14,894,355	-	14,894,355
Total other noncurrent assets	176,147,931	-	-	-	176,147,931	-	176,147,931
Total assets	$ 349,448,713	$ 6,366,577	$ 5,004,494	$ 332,534	$ 361,152,318	$ -	$ 361,152,318
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	$ 17,820,170	$ 16,983	$ -	$ -	$ 17,837,153	$ -	$ 17,837,153
Accrued payroll and payroll taxes	10,251,467	1,368,265	1,021,954	-	12,641,686	-	12,641,686
Current portion of long-term debt and capital leases	1,873,984	-	-	-	1,873,984	-	1,873,984
Estimated third-party payor settlements	1,709,859	-	-	-	1,709,859	-	1,709,859
Due to affiliates	(8,150,617)	4,164,160	3,982,540	2,513,822	2,509,905	-	2,509,905
Accrued interest payable	1,048,308	-	-	-	1,048,308	-	1,048,308
Total current liabilities	24,553,171	5,549,408	5,004,494	2,513,822	37,620,895	-	37,620,895
Estimated third-party payor settlements, net	6,975,497	-	-	-	6,975,497	-	6,975,497
Long-term debt and capital leases, net	66,295,180	-	-	-	66,295,180	-	66,295,180
Pension liability	41,961,129	-	-	-	41,961,129	-	41,961,129
Other liabilities	9,419,408	817,169	-	-	10,236,577	-	10,236,577
Total liabilities	149,204,385	6,366,577	5,004,494	2,513,822	163,089,278	-	163,089,278
Net Assets (Deficit)							
Net Assets without donor restrictions	170,679,733	-	-	(2,181,288)	168,498,445	-	168,498,445
Net Assets with donor restrictions	29,564,595	-	-	-	29,564,595	-	29,564,595
Total net assets (deficit)	200,244,328	-	-	(2,181,288)	198,063,040	-	198,063,040
Total liabilities and net assets	$ 349,448,713	$ 6,366,577	$ 5,004,494	$ 332,534	$ 361,152,318	$ -	$ 361,152,318

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, 2017

	Hunterdon Medical Center	Hunterdon Primary Care, P.C.	Hunterdon Specialty Care, P.C.	Hunterdon Urgent Care, P.C.	Subtotal	Eliminations	Consolidated Total
Revenues							
Patient service revenue (net of contractual allowances and discounts)	$ 254,504,439	$ 24,517,223	$ 16,988,176	$ 2,453,056	$ 298,462,894	$ -	$ 298,462,894
Less provision for bad debts	(2,978,022)	(6,215)	(18,042)	(948)	(3,003,227)	-	(3,003,227)
Net patient service revenue less provision for bad debts	251,526,417	24,511,008	16,970,134	2,452,108	295,459,667	-	295,459,667
Other revenue	14,459,001	1,295,670	87,116	-	15,841,787	-	15,841,787
Net assets released from restrictions	380,292	-	-	-	380,292	-	380,292
Total revenues	266,365,710	25,806,678	17,057,250	2,452,108	311,681,746	-	311,681,746
Expenses							
Salaries and benefits	163,419,102	10,223,440	14,133,754	-	187,776,296	-	187,776,296
Physicians' fees	8,352,510	-	-	-	8,352,510	-	8,352,510
Supplies and services	59,513,280	17,726,173	13,095,271	3,711,954	94,046,678	-	94,046,678
Depreciation and amortization	18,249,532	-	-	-	18,249,532	-	18,249,532
Interest	2,754,906	-	-	-	2,754,906	-	2,754,906
Total expenses	252,289,330	27,949,613	27,229,025	3,711,954	311,179,922	-	311,179,922
Operating income (loss)	14,076,380	(2,142,935)	(10,171,775)	(1,259,846)	501,824	-	501,824
Nonoperating Revenues and Gains							
Interest and dividend income	1,805,996	-	146	385	1,806,527	-	1,806,527
Net pension periodic benefit credit	5,973,939	-	-	-	5,973,939	-	5,973,939
Net realized gains on investments	420,051	-	-	-	420,051	-	420,051
Change in value of derivative financial instruments	123,364	-	-	-	123,364	-	123,364
Loss (gain) on sale of assets	500	-	-	-	500	-	500
Total nonoperating revenues and gains, net	8,323,850	-	146	385	8,324,381	-	8,324,381
Excess (deficiency) of revenues and gains over expenses and losses	22,400,230	(2,142,935)	(10,171,629)	(1,259,461)	8,826,205	-	8,826,205
Change in Net Unrealized Gains and Losses on Investments, Other Than Trading Securities	5,408,689	-	-	-	5,408,689	-	5,408,689
Net Transfers to Affiliates	(23,035,917)	2,920,528	17,203,389	-	(2,912,000)	-	(2,912,000)
Pension-related Changes Other Than Net Periodic Pension Cost	(14,450,445)	-	-	-	(14,450,445)	-	(14,450,445)
Net Assets Released from Restrictions for Capital Acquisitions	1,500,000	-	-	-	1,500,000	-	1,500,000
(Decrease) increase in net assets without donor restrictions	$ (8,177,443)	$ 777,593	$ 7,031,760	$ (1,259,461)	$ (1,627,551)	$ -	$ (1,627,551)