RWJBarnabas HEALTH

Secondary Market Disclosure Information

June 30, 2022

RWJ BARNABAS HEALTH, INC.

Consolidated Financial Statements and Supplementary Information as of June 30, 2022 and December 31, 2021 and for the six months ended June 30, 2022 and 2021

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

Bond Obligations under the Master Trust Indenture

- Barnabas Health System Taxable Revenue Bonds, Series 2012
- Barnabas Health Issue, Series 2012A
- Barnabas Health Issue, Series 2014A
- Robert Wood Johnson University Hospital Issue, Series 2013A
- Robert Wood Johnson University Hospital Issue, Series 2014A
- RWJ Barnabas Health Taxable Revenue Bonds, Series 2016
- RWJ Barnabas Health Obligated Group Issue, Series 2016A
- RWJ Barnabas Health Obligated Group Issue, Series 2017A
- RWJ Barnabas Health Senior Secured Notes, Series A through D
- RWJ Barnabas Health Obligated Group Issue, Series 2019
- RWJ Barnabas Health Obligated Group Issue, Series 2019A
- RWJ Barnabas Health Obligated Group Issue, Series 2019B-1 through B-3
- RWJ Barnabas Health Obligated Group Issue, Series 2021A

Other Credit Arrangements

- Secured revolving credit facility with JP Morgan Chase Bank that includes a sublimit for letters of credit including the self-insured worker's compensation program. Secured under the Master Trust Indenture.
- Revolving line of credit agreement with JPMorgan Chase Bank, N.A. in the maximum available amount of $50 million (with an accordion feature for a potential increase in the line to $100 million in the aggregate); no funds have been drawn down under such credit agreement. Secured under the Master Trust Indenture.
- Construction loans (combined with grants) from the New Jersey Economic Development Authority under its HUD-funded Energy Resilience Bank program for building combined heating and power systems at each of Cooperman Barnabas Medical Center, Newark Beth Israel Medical Center, Somerset Medical Center, Jersey City Medical Center, and Trinitas Regional Medical Center, and related funding from PSE&G. The aggregate maximum availability of the loans is approximately $22.6 million; approximately $6.5 million has been drawn down under the loans.

System Overview

Facility	Location	Licensed Beds	
Acute Care Hospitals:			
Newark Beth Israel Medical Center	Newark	667	(1)
Community Medical Center	Toms River	617	(2)
Cooperman Barnabas Medical Center	Livingston	597	
Robert Wood Johnson University Hospital, New Brunswick Campus	New Brunswick	614	(3)
Robert Wood Johnson University Hospital, Somerset Campus	Somerville	333	
Monmouth Medical Center	Long Branch	514	(4)
Monmouth Medical Center, Southern Campus	Lakewood	241	(5)
Clara Maass Medical Center	Belleville	492	(2)
Jersey City Medical Center	Jersey City	348	
Robert Wood Johnson University Hospital Rahway	Rahway	241	
Robert Wood Johnson University Hospital at Hamilton	Hamilton	248	
Trinitas Regional Medical Center	Elizabeth	541	(7)
Total Acute Care Beds		**5,453**	
Transitional Care Beds:			
Children's Specialized Hospital	New Brunswick	145	(6)
Community Medical Center Transitional Care Unit	Toms River	25	(2)
The Clara Maass Transitional Care Unit	Belleville	20	(2)
Trinitas Hospital-based Long Term Care Facility	Elizabeth	124	(7)
Total Transitional Care Beds		**314**	
Specialty Hospitals:			
The Children's Hospital of NJ at Newark Beth Israel Medical Center	Newark	156	(1)
Barnabas Health Behavioral Health Center	Toms River	100	(5)
The Bristol-Myers Squibb Children's Hospital at Robert Wood Johnson University Hospital	New Brunswick	79	(3)
The Unterberg Children’s Hospital at Monmouth Medical Center	Long Branch	70	(4)
Total Specialty Hospital Beds		**405**	

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

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

(3) Robert Wood Johnson University Hospital is licensed for 614 beds, 79 of which are licensed for The Bristol-Myers Squibb Children's Hospital. For presentation purposes, these 79 beds are included in the licensed bed complement for both Robert Wood Johnson University Hospital and its designated Children’s Hospital. Robert Wood Johnson University Hospital has been granted temporary approval from the Department of Health to operate an additional 26 neonatal bassinets not included in the count.

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

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

(6) These licensed beds represent pediatric long term care and rehabilitation beds. Children’s Specialized Hospital operates at multiple locations in New Jersey, including the long term care beds in Mountainside and Toms River, New Jersey.

(7) These 124 beds are licensed as hospital based Long Term Care and also provide Sub-acute care. For presentation purposes, these 124 beds are included in the licensed bed complement of Trinitas Regional Medical Center.

RWJBarnabas Health's Vision, Mission and Values

At the core of RWJ Barnabas Health's (the Corporation or RWJBH) mission is the evolution of the enterprise from one of a "health care" company to that of an organization dedicated to "health." As part of a comprehensive strategic planning process, Vision, Mission and Values statements were created to drive the enterprise forward. These statements were developed using the strong foundation already in place and with an understanding that future success on behalf of our communities can be achieved only through bold vision and a renewed spirit of collaboration, all with a foundation in academic medicine. Moreover, the values were developed as part of a multi-year initiative to advance RWJBH as a "high reliability organization," committed to providing only the safest, most effective clinical care.

Our Organization

RWJBH is the largest, most comprehensive academic health care system in New Jersey, with a service area that spans eight of the most populous counties covering over five million people. The Corporation is also New Jersey's market share leader across every major service line and the leading provider of tertiary care services. The system includes twelve acute care hospitals, three acute care children's hospitals and a leading pediatric rehabilitation hospital with a network of outpatient centers, a freestanding 100-bed behavioral health center, two trauma centers, a satellite emergency department, ambulatory care centers, geriatric centers, the state's largest behavioral health network, comprehensive home care and hospice programs, fitness and wellness and physical therapy centers, retail pharmacy services, a medical group, multi-site imaging centers and an accountable care organization. In meeting its mission of creating healthier communities, the Corporation seeks to provide high quality clinical care, address the clinical and social determinants of health, improve health outcomes and promote health equity.

On January 1, 2022, the Corporation, Trinitas Regional Medical Center (Trinitas) and Trinitas Health (TH) completed an affiliation transaction, whereby the Corporation replaced TH as the sole member of Trinitas. Together, both organizations will be able to increase access to high-quality healthcare in the northern and central New Jersey regions, and expand outreach to underserved communities. This includes a specific focus on cardiac care, oncology, emergency services, renal care/dialysis, women's health and wound care, as well as behavioral health services and others.

COVID-19

On March 11, 2020, the World Health Organization declared the COVID 19 outbreak a pandemic. The pandemic adversely affected the Corporation's results of operations during 2020 and continues to affect the Corporation's results through 2022. However, the Corporation experienced a gradual and steady recovery in volumes in 2021 as compared to 2020. There was a substantial spike in COVID-19 cases in December 2021 and January 2022 due to Delta and Omicron variants. This surge resulted in a temporary slowdown or pause on elective surgical procedures at certain hospitals. Since January, cases in New Jersey and within our hospitals have dropped significantly and volumes are again recovering. However, new, more transmittable variants have surfaced since the January surge that have slowed the rate of recovery.

The Corporation's response to the COVID-19 pandemic continues to require additional staff and supply resources. Supply chain disruptions, including shortages, delays and significant increases in the price of medical supplies, pharmaceuticals and personal protective equipment, have impacted, and are expected to continue to impact, the Corporation's operating costs. Staffing shortages resulting from staff COVID-19 absences and industry wide shortages in certain clinical specialties and other factors have resulted in increased labor costs and investments in employee retention programs. These events are expected to continue in the near future.

The Corporation has received grants from the Coronavirus Aid, Relief and Economic Security (CARES) Act Provider Relief Fund based on various criteria. Under current guidelines issued by the US Department of Health and Human Services (HHS), these funds can be used to cover certain COVID-19 related costs and revenue losses. Through June 30, 2022, the Corporation received approximately $683,000 in relief funds. During the six months ended June 30, 2022 and 2021, $26,778 and $50,865 were recognized as revenue bringing the total amount recognized through June 30, 2022 to approximately $663,000. The Corporation believes the amount of revenue recognized is appropriate under the current guidance and continues to monitor compliance as clarifying guidance is issued.

The Corporation has continued to provide programs and services to assist the State of New Jersey and the communities it serves in battling the pandemic at substantial costs. Some of these programs are eligible for support from the Federal Emergency Management Agency (FEMA) and other funding that is, or will become, available. For the six months ended June 30, 2022 and 2021, the Corporation recognized approximately $19,724 and $26,261 of FEMA funds (bringing the total recognized through June 2022 to $113,541) within other revenue in the consolidated statement of operations. Management continues to evaluate programs and services for alignment with funding opportunities.

In addition to the CARES Act funding and FEMA, the Corporation received Medicare advance payments of approximately $556,000 during 2020. Medicare started recouping these advances in April 2021 with final recoupments expected by August 2022. As of June 30, 2022, approximately $414,000 has been recouped, leaving $142,000 included in current estimated amounts due to third party payors.

The Corporation has also elected to defer the deposit and payment of the employer's share of Social Security taxes allowed under the CARES Act, which requires payment of 50% of the deferred taxes by December 31, 2021 and 50% by December 31, 2022. The Corporation had accumulated approximately $88,000 of deferred employer payroll taxes. As of June 30, 2022, approximately $46,000 of this amount was repaid, the balance of approximately $42,000 is included in accrued expenses and other current liabilities in the consolidated balance sheet.

Despite the continuing challenges and factors pressuring operating margins impacted by the ongoing crisis, management is focused on the restoration of operating results to pre-COVID-19 levels through various initiatives, including those focused on access and additional revenue opportunities. Access strategies include providing new and enhanced facilities, building a more diversified business model, physician recruitment efforts, and continued expansion of services in response to community needs. In addition, there is continued focus on expense reductions through operational efficiency efforts and supply chain initiatives. The Corporation continues to evaluate and invest in strategic capital projects and technology to facilitate recovery and maintain a competitive advantage regarding patient and provider satisfaction and retention. Management also continues to monitor strategic capital needs in relation to operations and capital market conditions affecting investment returns, as well as fundraising and debt capacity.

The Corporation is committed to investment in its people. Our continuing leadership role comes from the support of our employees and physicians. The demand for healthcare in the state and across the country continues to increase. Nurses are in high demand and in short supply. The increased amount of competition has forced a refinement of our internal hiring processes to expedite our ability to acquire top nursing talent. We have instituted nurse retention programs that focus on professional development through enhanced tuition assistance programs, more flexible work schedules to provide work/life balance and retention and sign-on bonuses to remain in the top tier in a competitive compensation market. Leadership is exploring additional strategies to address the economic environment.

Vaccinations

With the then-rumored creation of a vaccine in late 2020, the leadership team previously charged with overseeing care delivery for COVID-19, focused their attention on the distribution of vaccines to providers and the public. The main areas to be addressed included administration of the vaccine, as well as the probability of rationing a limited supply. In December 2020, New Jersey requested that the Corporation be the lead health system for the creation and operation of one of six vaccination "mega-sites" in New Jersey. A full-service vaccination center, designed to accommodate up to 5,000 patients per day, was planned and executed by the Corporation in partnership with FEMA, State of New Jersey Office of Emergency Management, State Police and National Guard, as well as the County of Middlesex. The center operated from mid-January to mid-June 2021. At the end of 2021, the Corporation opened a second "mega-site" in Bridgewater. This site served approximately 7,000 patients before closing on March 5, 2022.

To date, the Corporation has provided more than 528,000 vaccinations across the State, including those delivered at the "mega-sites", at hospital-based clinics and community locations staffed and supported by the Corporation. Beyond ensuring vaccination among the public, the Corporation conducted an aggressive internal campaign to vaccinate all staff and physicians, and on May 20, 2021, the Corporation became only the third health system in the nation to mandate vaccinations for employees. As of October 15, 2021, the Corporation successfully completed its mandatory COVID-19 vaccine program achieving a 99.7% compliance rate.

On November 5, 2021, the Centers for Medicare and Medicaid Services issued a ruling which requires virtually all staff of Medicare and Medicaid-certified providers and suppliers to be vaccinated against COVID-19. In addition, on January 19, 2022, the New Jersey Governor signed an executive order mandating all New Jersey health care workers to be fully vaccinated against COVID-19 and receive booster shots by February 28, 2022. The order also covers all workers in congregant settings such as nursing homes and prisons. New Jersey joins five other states, including New York and Connecticut that have issued a COVID-19 booster mandate for healthcare workers. In accordance with the state mandate, the Corporation required all employees, new employees, medical staff, vendors, contractors and volunteers to receive booster vaccines, if eligible, by the revised deadline of April 25, 2022. Most of our eligible staff, more than 95%, received the booster. Employees that are non-compliant with the mandate are required to participate in weekly COVID-19 testing, if not fully remote.

COVID-19 Treatments

The COVID-19 pandemic led to therapeutic innovation for not only the prevention, but also treatment of COVID-19. RWJBH worked with industry partners, state, and federal government liaisons along with subject matter experts within our organization to allow for the administration of COVID-19 therapeutics as soon as they were available. Because of these proactive efforts prior to and immediately after the Emergency Use Authorization (EUA), RWJBH was one of the first sites in New Jersey to offer monoclonal antibodies (MAB) for COVID-19. Pharmacy Infectious Diseases, the Emergency Department, and the RWJBH Medical Group worked together to provide a safe and streamlined approach for patients who met criteria to receive MABs. These treatments allow patients to recover safely at home with telemedicine follow-up, enabling our inpatient units to focus its care on patients at a higher acuity level. To date, RWJBH facilities have administered MABs to 24,000 patients, preventing hospitalizations in 96% of recipients.

In December 2021, the FDA approved under EUA, anti-viral therapies to treat COVID-19. The system's Infectious Disease Committee develops and updates COVID-19 treatment algorithms incorporating anti-viral therapy options, screening, and processes to ensure patients can be treated with Paxlovid if appropriate.

Partnership with Rutgers, the State University of New Jersey - Realizing our Academic Vision

The 2018 Partnership between the Corporation and Rutgers formed the largest and most comprehensive academic health system in New Jersey and created a platform to advance clinical care, conduct innovative research, and educate the next generation of healthcare providers. The Corporation and Rutgers have attracted, and will continue to attract, clinicians, researchers, teachers, and students from across the globe that will help fill unmet needs across the Corporation's service area as the partnership continues to grow and develop. In total, more than one billion dollars over 20 years will be invested to expand the education and research mission of the integrated academic health system.
A key element of the transformative efforts of the Partnership was to form a comprehensive medical group comprising employed physicians and other health care professionals from the Corporation and Rutgers Health. Through the execution of an Integrated Practice Agreement (IPA) effective July 1, 2020, Rutgers and the Corporation have begun to integrate the clinical services provided within the Robert Wood Johnson Medical School in the New Brunswick region and the Corporation's medical group practices, creating one of the largest physician organizations in the country.

The Corporation will bring the resources of the State's largest academic health system to improve the lives of its population by:

- Advancing and deploying health science innovation;
- Increasing accessibility to primary and specialty physicians and clinicians across the region;
- Developing and expanding Centers of Excellence across a number of clinical specialties;
- Dedicating significant, collective resources to education, research, and health improvement;
- Retaining leading clinical and academic faculty to build and expand clinical and research capabilities across New Jersey;
- Focusing on the recruitment of new high-caliber principal investigators across the service area - dramatically increasing its research portfolio;
- Providing financial support earmarked to encourage residents & fellows to remain in and provide care to residents of New Jersey;
- Increasing opportunities to train its medical, dental, nursing, pharmacy, and other students in inter-professional clinical environments; and
- Expanding access to clinical trials, bringing the newest and most promising treatments to patients across New Jersey.

Leader in Translational Science

In March 2019, a multi-university team led by Rutgers was awarded a National Institute of Health (NIH) grant for $29,000 over five years for joining the NIH's Clinical and Translational Science Awards Program. The ultimate goal of the grant is to expedite and expand the delivery of evidence-based treatment to our patients. The award is the first in New Jersey and will increase access to clinical trials, help introduce new therapies, and create opportunities for increased funding. CTSA awards support a national network of more than 50 medical research institutions nationwide that collaborate to speed the translation of research discoveries into improved patient care. It enables research teams, including scientists, patient advocacy organizations and community members, to tackle system-wide scientific and operational problems in clinical and translational research that no one team can overcome. The ultimate goal with this grant is to bring more evidence-based treatment to more patients more quickly. That means shortening the time between basic science breakthroughs and life-saving clinical treatments. The Corporation funded some of the recruitments that were pivotal to making this award occur, which in the end will help the Corporation and Rutgers to enhance and strengthen its commitment to the health and wellbeing of New Jersey and the world.

Redefining Cancer Care Delivery

Effective July 1, 2021, the Corporation and Rutgers executed a second IPA to integrate the clinical practices of the Rutgers CINJ and the Corporation's medical group. This IPA further enhances the unified clinical mission that complements our high quality standards of teaching and research excellence.
In June 2019, the Corporation and Rutgers CINJ, in partnership with the New Brunswick Development Corporation, announced the development of a new, state-of-the-art, free-standing cancer hospital in New Brunswick, the first in New Jersey. A groundbreaking ceremony was held in June 2021 for the new $735 million facility, which will house:

- a 12-story, 96 bed, 510,000-square-foot facility expected to be completed in 2024;
- key outpatient services, including those for chemotherapy, radiation therapy, and major diagnostic modalities; and
- research laboratories, and space for education and wellness programs.

The cancer center will be located adjacent to RWJ University Hospital New Brunswick (RWJUH) and Rutgers CINJ. Inpatient cancer services are currently housed within RWJUH.

A New National Model for Graduate Medical Education

Rutgers is now the official sponsoring institution of all residency programs enabling a new model of medical education with the integration of community, urban, suburban and VA rotations. Several programs have already been integrated creating the opportunity to expand advanced fellowships and integrate the programs educating over 1,600 medical residents. We have focused our efforts leveraging the robust network of Rutgers schools and are advancing our efforts to grow inter-professional practice team training opportunities across the Corporation and other clinical affiliates.

In addition, Community Medical Center's teaching program was successfully launched on July 1, 2021. We have also launched the "Rising Stars" program, which seeks to keep top medical school graduates in New Jersey through tuition abatement and post graduate placement programs.

Awards and Distinctions

In connection with the Series 2021A bond offering, the rating agencies reviewed the financial condition of the Corporation. On September 10, 2021, S&P confirmed its AA- long-term rating with a stable outlook. Moody's upgraded the Corporations rating to Aa3 from A1 with an outlook of stable. Moody's stated that "the upgrade and assignment of the Aa3 rating reflects RWJBH's strong and statewide coverage as the largest integrated academic health system and only NCI-designated cancer center in New Jersey, and will continue to differentiate the system in a very competitive market."

The Corporation and its affiliates are recognized as a leading academic health care delivery system, having received the following recognitions, among others:

- **Leapfrog Safety Scores** – The Spring 2022 scores recognize two acute care facilities as receiving an "A" grade, while seven received a "B" grade. Monmouth Medical Center (MMC) is the only facility in the region to achieve 15 consecutive "A" ratings.

- **Leapfrog Top Hospitals** – MMC was recognized by The Leapfrog Group as a 2021 top teaching hospital.

- **Forbes Best-In-State** – In 2021, for the second consecutive year, the Corporation has been recognized by Forbes as America's Best-In-State Employer. This prestigious award is presented by Forbes and Statista Inc., the world-leading statistics portal and industry ranking provider.

- **Top Places to Work in Healthcare** – The Corporation has been named one of the top 150 places to work in healthcare by Becker's Hospital Review, including recognition for Women's Health Programs.
- **Best Place to Work in New Jersey** – RWJBH was also named a Best Place to Work in New Jersey by the NJ Advance Media/Star Ledger – the state's largest news outlet.

- **Healthcare Equality Index (HEI) Designation -** All RWJH facilities have been designated in 2022 as "Leaders in LGBTQ Healthcare Equality" by the Human Rights Campaign (HRC) Foundation, the educational arm of America's largest civil rights organization working to achieve equality for lesbian, gay, bisexual, transgender and queer people. The distinguished honor of being selected as "Healthcare Equality Leaders" was based on the HRC Foundation's annual Healthcare Equality Index (HEI), the nation's leading benchmarking assessment of healthcare facilities identifying healthcare institutions that are leaders in efforts to offer equitable care to LGBTQ+ patients by evaluating inclusive policies and practices related to LGBTQ patients, visitors, and employees.

- **Garden State Equality** – In 2021, the Corporation was honored by Garden State Equality, the largest LGBTQ advocacy organization in New Jersey, with the Corporate Responsibility Award, based on the system's commitment to providing culturally sensitive, compassionate and inclusive care for the LGBTQ community through ongoing initiatives.

- **Global Healthcare Exchange (GHX) Organization** – RWJBH was named a 2021 GHX "Best 50" organization. Earning this recognition demonstrates our organization's commitment to a supply chain strategy that removes waste, drives efficiencies and, as a result, raises the quality of patient care delivered.

- **Chime Healthcare's Most Wired** – The Corporation continues to be named among the most wired for its use of information technology (IT) to better the patient experience, and in 2021, all acute care facilities within the organization were awarded certification Performance Excellence Levels of eight and above. Hospitals and health systems at the forefront of using IT to improve the delivery of care have maximized the benefits of foundational technologies and are embracing new technologies that support population management and value-based care.

- **Newsweek Magazine** – In 2022, Newark Beth Israel Medical Center (NBIMC) was named one of the World's Best Hospitals and RWJUH New Brunswick was named a Best Maternity Care Hospital. In addition, Children's Specialized Hospital has been recognized on Newsweek's list of World's Best Specialized Hospitals and RWJUH New Brunswick also received Newsweek America's Best award for Ambulatory Surgery Centers (ranked in NJ) in 2022. This prestigious award is presented by Newsweek and Statista Inc., the world-leading statistics portal and industry ranking provider, based on quality of care, performance data and peer recommendations, relative to in-state competition.

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

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

- **Commission on Cancer Accredited Program** – Several of our facilities' cancer programs have received accreditation from the American College of Surgeons' Commission on Cancer, with RWJUH New Brunswick and Newark Beth Israel (NBIMC) rated among the nation's best comprehensive cancer centers.

- **National Quality Measures for Breast Centers (NQBMC)** – The Jacqueline M. Wilentz Breast Center was certified as a quality breast center of excellence, the highest certification level offered by the NQMBC. Additionally, the Center has been designated a Breast Imaging Center of Excellence by the American College of Radiology's Commission on Quality and Safety and the Commission on Breast Imaging.

- **100 Great Hospitals in America –** In 2020, RWJUH New Brunswick was named to this list, developed by Becker's Healthcare, which recognizes facilities for excellence in clinical care, patient outcomes, and staff and physician satisfaction.

- **U.S. News & World Report** –National, regional and New Jersey recognition was received widely by the Corporation's hospitals in a great range of specialties in 2021-2022.

- **Gold Seal of Approval –** Various affiliates of the Corporation have received the Gold Seal of Approval by the Joint Commission for various programs including joint replacement, disease-specific certifications in acute coronary syndrome, cardiac rehabilitation, heart failure, advanced certification in palliative care, bariatric surgery and stroke program.

- **Magnet Designation by the American Nurses Credentialing Center** – Six affiliates of the Corporation have received Magnet designation, which recognizes organizations for creating and sustaining an environment of nursing excellence where collaborative working relationships are fostered among different departments and disciplines. RWJ University Hospital Hamilton, received its first Magnet designation in April 2021, and in June, RWJUH New Brunswick achieved its sixth Magnet designation – making it one of only 7 institutions globally to achieve this distinction.

- **Nurses Improving Care for Health system Elders (NICHE)** – Several of our facilities have been recognized as a NICHE hospitals. NICHE hospitals distinguish that older adult patients have specialized needs and that patient- and family-centered care is imperative to creating a positive experience for the older adult patient.

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

- **American Heart Association/American Stroke Association** – Several of our facilities have received recognition for cardiac and stroke care earning a spot on the 2022 Get With The Guidelines® and Mission Lifeline achievement awards list in the stroke, heart failure and resuscitation categories. The awards recognize each hospitals' commitment to ensuring stroke and heart failure patients receive the most appropriate treatment according to nationally recognized, research-based guidelines based on the latest scientific evidence, ultimately leading to lives saved, shorter recovery times and fewer readmissions to the hospital.

- **National Committee for Quality Assurance (NCQA) Patient-Centered Medical Home Recognition –** RWJBH's Medical Group has solidified its commitment to provide the highest quality health care and access to our patients through the achievement of NCQA Recognition for several of our practices. The NCQA standards emphasize the use of systematic, patient-centered, coordinated care that supports access, communication and patient involvement.

- **Emergency Medical Services (EMS) Triple Accreditation** – Jersey City Medical Center's (JCMC) EMS service is the first in the U.S. to earn triple accreditation in dispatch, education and emergency medical service.

- **Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program (MBSAQIP) Accreditation** – Six RWJBH facilities are accredited as comprehensive centers for bariatric and metabolic surgery of the American College of Surgeons.

- **Det Norske Veritas (DNV) Accreditation** – JCMC received DNV reaccreditation. As a world-leading certification body with objectives to safeguard life, property and the environment, DNV is committed to supporting the development and continual improvement of healthcare quality and patient safety in healthcare organizations.

- **New Jersey Department of Health** – The NJ Department of Health awarded four of RWJBH facilities Gold for their Antimicrobial Stewardship Programs.

Epic Implementation

In order to accomplish the goals of its strategic plan, the Corporation recognized the need to strengthen its core competencies in Technology, Analytics, and Innovation by establishing a unified operating model that will drive standardization, continuous quality improvement and cost reductions across the entire system. Leadership determined that a key component of this is to deploy an integrated Electronic Health Record (EHR) with supporting revenue cycle, data analytics and consumer-facing digital capabilities. After a thorough review of the market place, the Epic suite of products was chosen to achieve these goals. The implementation will be done in phases, and the anticipated completion date is 2024, with a cost of approximately $750 million over ten years.

The launch of this sweeping initiative, which has been named "Epic Together," formally commenced on January 29, 2020 with simultaneous kick-off events held throughout RWJBH and across key Rutgers campuses. In order to build the Epic system, 3,330 subject matter experts, nurses, physicians, pharmacists, medical school staff at Rutgers University and a myriad of other stakeholders throughout the Corporation were identified and assembled into 62 discipline specific workgroups and councils.

Despite the unexpected impact of the pandemic, the Corporation advanced with the first go-live of the Epic system on May 29, 2021 – comprised of the Robert Wood Johnson Physician Enterprise. Due to exemplary planning and commitment by the team, the implementation was successful as indicated by the achievement of various targets including patient volume, revenues and other metrics exceeding targeted levels.

The Epic Together team has migrated its focus to continue stabilization of the Epic system after the successful Wave 2 activation on October 2, 2021, which included the remainder of the scheduled medical group and RWJUH Somerset, the first acute care hospital to go live. The project completed a successful Wave 3 activation on June 4, 2022. This wave comprised the Cancer Institute of New Jersey, RWJUH, RWJUH Hamilton, and RWJUH Rahway and 60 Medical Group Practices. Hospital and professional billing is 104% and 114% of baseline charges, respectively. The hospital claim acceptance rate of 100% exceeds that of the Heritage system which was 75%.

Since the project went live more than 1.5 million reports have been produced from the Epic system. The Corporation has trained more than 17,000 individuals with more than 2,200 courses since the project started.

RWJBH participated in the Good Install Program, offered by Epic that gives organizations an opportunity to earn a rebate by meeting more than 33 requirements of a successful installation. RWJBH received one of the largest rebates in Epic's history becoming the first customer to earn a Gold Stars ranking of a perfect ten for its Wave 2 implementation. Gold Stars program is the adoption of the 700 best workflows in the world. An Epic Gold Stars ranking of ten represents the top 0.3% of all Epic customers, which include some of the nation's top healthcare providers, including the Mayo Clinic, Johns Hopkins, Mass General, the Cleveland Clinic, UCSF Medical Center, and Cedars-Sinai.

The project is now focused on the next activation, Wave 3B, on October 29, 2022. This wave comprises 17 Medical Group Practices with 103 providers.

Management's Discussion and Analysis of Recent Financial Performance

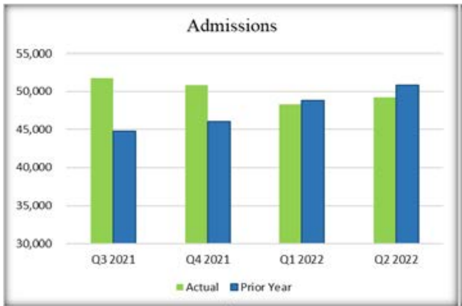
Management's Discussion and Analysis of Recent Financial Performance is based upon the consolidated financial results of the Corporation since the members of the Corporation's Obligated Group represent 84% of the total consolidated operating revenue and 92% of the total consolidated assets as of and for the six months ended June 30, 2022. Accordingly, the discussion below includes the financial results of entities that are not members of the Obligated Group.

Financial Performance Overview

For the six months ended June 30, 2022, the Corporation's total operating loss and operating margin were $62,686 and -1.7%, respectively, compared to the operating income and operating margin of $44,469 and 1.4% for the six months ended June 30, 2021. Total operating revenues grew by $440,402 or 13.7% compared to the six months ended June 30, 2021, while operating expenses increased by $547,557 or 17.3% during the same period. Included in total operating revenues is funding under the CARES Act totaling $26,778 and $50,865 for the six months ended June 30, 2022 and 2021, respectively.

Volumes had been steadily improving since 2020. However, due to the temporary slowdown resulting from increased COVID-19 cases in January 2022 and new, more transmittable variants that have surfaced since then, admissions and total surgical volumes were below prior year by 2.1% and 2.2%, while emergency room visits have increased by 13.7%.

The following tables portray select acute care volumes as compared to prior year, by quarter.



Overall, patient service revenue of $3,367,991 was higher than prior year by $412,219 or 13.9%. COVID-19 significantly impacted patient service revenue during 2020, and to a lesser extent continues to impact volumes and revenues through June 30, 2022. The favorable variance was partially due to the New Jersey Medicaid County Option Pilot Program (the Pilot Program) and stronger volumes in outpatient cases. The Corporation recognized CARES Act funding to offset the volume shortfall due to COVID-19 of $26,778 and $50,865 for the six months ended June 30, 2022 and 2021, and also recognized approximately $19,724 and $26,261 of FEMA funds within other revenue in the consolidated statement of operations for those same periods, respectively. Trinitas was additive to operating revenue by $154,476. For additional information, refer to the Operating Revenue and Volume discussion.

The increase in operating expenses was driven by increased salaries and benefits, physician fees and salaries, supplies, other expenses, interest and depreciation, many of which continue to be impacted by the pandemic. Trinitas was additive to operating expenses by $163,933. For additional information, refer to the *Operating Expenses* discussion.

The Corporation's deficiency of revenues over expenses and deficiency of revenues over expenses margin for the six months ended June 30, 2022 were $489,001 and -15.2%, respectively, compared to the excess of revenues over expenses of $324,861 and 9.3% for the six months ended June 30, 2021. The excess of revenues over expenses was significantly less than prior year mainly due to investment performance. Net investment losses totaled $729,100, compared to net investment gains of $276,201 in 2021. Nonoperating losses for the six months ended June 30, 2022 was partially offset by the contribution received in acquisition of Trinitas of $314,636. For additional information, refer to the *Nonoperating Gains and Losses* discussion.

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

Operations and Excess of Revenue over Expenses

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

	Six months ended June 30,	
	2022	**2021**
Operating (loss) income	(62,686)	44,469
Operating margin	-1.7%	1.4%
EBITDA	141,313	236,274
EBITDA margin	3.9%	7.4%
(Deficiency) excess of revenue	(489,001)	324,861
(Deficiency) excess of revenue margin	-15.2%	9.3%

Operating Revenue and Volume

The following table presents consolidated operating revenue and select volume statistics for the six months ended June 30, 2022 and 2021:

	Six months ended June 30,		
	2022		**2021**
Operating Revenue:			
Inpatient patient service revenue	$	1,819,252	1,626,523
Outpatient patient service revenue		1,143,291	1,046,344
Professional billing revenue		344,621	226,559
State of NJ subsidy revenue		60,827	56,346
Total patient service revenue		3,367,991	2,955,772
CARES Act grant revenue		26,778	50,865
Other operating revenue		256,617	204,347
Total operating revenue	$	3,651,386	3,210,984
Volume & utilization statistics:			
Acute care licensed beds		5,453	5,453
Average acute care beds in service		4,335	4,333
Acute care occupancy based on beds in service		69.0%	70.0%
Acute care length of stay		5.69	5.70
Acute care admissions		97,576	99,661
COVID-19 positive admissions		6,902	8,775
Adult and pediatric admissions		62,102	63,915
Newborn and NICU admissions		12,180	12,157
Maternity and obstetric cases		12,217	12,457
Patient days		541,120	548,808
Same day surgery cases		30,543	30,772
Emergency room visits (excl. admits)		294,360	258,868
Observations		45,400	42,652
Psychiatric hospital inpatient admissions		515	481

2021 Volume and Utilization statistics include Trinitas for comparison purposes.

Acute Care payor mix, based on patient days, for the six months ended June 30, 2022 and 2021 is presented below:

	Patient Days	
Payor Mix	**2022**	**2021**
Medicare	26.8%	27.4%
Medicaid	5.8%	5.2%
Managed Medicare	21.0%	19.4%
Managed Medicaid	19.5%	19.2%
Managed Care	10.9%	10.8%
NJ Blue Cross & Commercial	10.8%	11.7%
Self-pay and Other	5.2%	6.3%
	100.0%	100.0%

Inpatient service revenue, excluding subsidy revenue, of $1,819,252 was higher than prior year by $192,728 or 11.8%. For the six months ended June 30, 2022, the Pilot Program accounted for approximately $116,000. The Pilot Program is a five-year New Jersey Medicaid demonstration project designed to support local hospitals and to ensure that they continue to provide necessary services to low-income residents. Eligibility in the program was established by State legislation that was signed into law in 2018 and is limited to a maximum of seven counties; 4 in which the Corporation operates – Essex, Hudson, Mercer and Middlesex. Under Program guidelines, which received final federal CMS approval on July 16, 2021 for a program effective start date of July 1, 2021, participating counties will impose and collect a tax on the hospitals that will be transferred to the State and used to draw down additional federal Medicaid matching funds to enhance hospital payments for Medicaid managed care discharges. The assessments and enhanced payments are paid and received on a quarterly basis. The Trinitas acquisition contributed $63,065 to inpatient service revenue. This was partially offset by a decrease in inpatient admissions of 2.1%.

Outpatient service revenue of $1,143,291 was higher than prior year by $96,947 or 9.3%. The increase was impacted by a 6.8% increase in outpatient volumes. The Corporation experienced stronger volumes in the higher reimbursed areas of Chemotherapy, Observation, and Emergency Room. The Trinitas acquisition contributed $42,330 to outpatient revenue.

Professional billing revenue of $344,621 was higher than prior year by $118,062 or 52.1%. The increase in revenue was primarily due to integration of the Rutgers Medical Group and CINJ under the IPA's.

State of NJ subsidy revenue of $60,827 increased from prior year by $4,481 or 8.0%. Trinitas contributed subsidy revenue of $19,752. Additionally, charity care subsidy increased by $12,600 over prior year. The increase was primarily offset by the decrease in the Quality Improvement Bridge Program, which was designed to support the stability of acute care hospitals after the Delivery System Reform Incentive Payment program ended in June 2020. For the six months ended June 30, 2021, a receipt of $24,000 was recognized under this program related to 2020.

The Corporation recognized CARES Act grant revenue of $26,778 and $50,865 for the six months ended June 30, 2022 and 2021 to help offset the volume shortfalls attributable to COVID-19. Other operating revenue of $256,617 was favorable to prior year by $52,270 or 25.6%. Other revenue includes income from grants, pharmacy sales, earnings from joint venture arrangements, contributions, net assets released from restriction, cafeteria, parking and FEMA awards. Trinitas contributed approximately $25,000 to other revenue. Joint venture revenue also exceeded prior year by $6,300 driven primarily by growth in medical practice joint ventures, diagnostic imaging and other ventures. This was partially offset by a reduction in FEMA reimbursement for COVID-19 of $6,500.

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

	For the six months ended June 30,					
	2022			2021		
	Net Operating Revenue	Net Income	Net Income Attributable to RWJBH	Net Operating Revenue	Net Income	Net Income Attributable to RWJBH
Ambulatory Surgery	$ 162,697	73,273	20,679	$ 137,193	72,197	20,114
Home Care & Hospice	85,064	4,930	2,512	88,900	9,650	4,903
Diagnostic Imaging	66,222	15,265	7,709	60,509	11,945	5,673
Medical Practice Joint Venture	112,063	23,113	11,521	49,523	15,346	7,319
Other	89,823	5,403	2,326	60,892	2,832	423
	$ 515,869	121,984	44,747	$ 397,017	111,970	38,432

The increase in revenue from ambulatory surgery ventures was attributable to six new centers acquired from March through December of 2021 as well as an increase in the volume of billable procedures by 5.7%.

The decrease in home care and hospice ventures was due to a decrease in volume by 4.1%.The decline in volume is attributed to lower homecare visits and hospice patient days by 1.9% and 11.6%, respectively.

Diagnostic imaging ventures exceeded prior year due to an increase in volume of 7.5% which was partially offset by an increase in expenses by 2.7%. Volume of CT scans, MRI procedures and PET scans increased by 5.3%, 3.5% and 8.0 % as compared to prior year. The expense variance was driven by salaries and medical supplies. University Radiology which is a joint venture of Trinitas contributed $940 to the positive variance which benefited from Hurricane Ida insurance proceeds.

Medical Practice Joint Ventures was favorable to prior year by $4,202. The Corporation acquired seven new practices in December 2021.

Other ventures exceeded prior year by $1,904. Volume was favorable to prior year by 4.0% while expenses were unfavorable by 1.5%. The physical and occupational therapy company, acquired in February 1, 2021, contributed $932 to the positive variance. Additionally, a mobile health joint venture exceeded prior year by $964.

During 2021, the Corporation continued to advance its healthcare transformation efforts. These efforts focused on developing capabilities and payment models necessary for success as the industry continues to move towards value-based care. In addition, Braven Health, which began in 2020 as a Medicare Advantage product in partnership with Horizon and Hackensack Meridian Health, continues to grow and has approximately 27,000 members currently participating.

Operating Expenses

Total operating expenses for the six months ended June 30, 2022 of $3,714,072 increased by $547,557 or 17.3% from the six months ended June 30, 2021.

Summarized below are the consolidated operating expenses for the six months ended June 30, 2022 and 2021:

	Six months ended June 30,	
	2022	2021
Salaries and employee benefits	$ 1,722,577	1,458,202
Physician fees and salaries	436,284	357,077
Supplies and other expenses	1,351,212	1,159,431
Interest	53,287	50,466
Depreciation and amortization	150,712	141,339
Total operating expenses	$ 3,714,072	3,166,515

For the six months ended June 30, 2022, salaries and employee benefits increased by $264,375 or 18.1%, compared to the six months ended June 30, 2021. The increase in salaries and employee benefits was due to annual salary increases, the addition of staff for new medical practices, and the acquisition of Trinitas. Staffing shortages resulting from staff COVID-19 absences and industry wide shortages in certain clinical specialties and other factors have resulted in significant increased labor costs and investments in employee retention programs.

Physician fees and salaries increased by $79,207 or 22.2%, compared to the six months ended June 30, 2021. The increase was primarily driven by the IPA's with Rutgers Medical Group and CINJ as well as the acquisition of Trinitas.

Supplies and other expenses increased by $191,781 or 16.5%, compared to the six months ended June 30, 2021. The increase was primarily due to higher supply costs, contractual and purchased services and other expenses. Supply costs increased by $42,263 or 6.5%. The unfavorable variance was primarily due to the inclusion of Trinitas and the Rutgers Medical Group. Additionally, drug usage and costs increased as compared to last year. Adjusted admissions and adjusted patient days were up 1.4% and 1.7%, respectively from prior year. Contractual and purchased services increased by $47,334 driven by the inclusion of Trinitas and the Rutgers Medical Group as well legal fees related to acquisitions and Epic costs. The Pilot Program's assessment fees contributed $40,622 to the variance.

Interest expense for the three months ended June 30, 2022 increased by $2,821 or 5.6%, compared to the six months ended June 30, 2021 due to the addition of new debt. On September 30, 2021, the Corporation completed an offering of tax-exempt bonds in the aggregate par amount of $751,845.

Depreciation and amortization for the six months ended June 30, 2022 increased by $9,373 or 6.6%, compared to the six months ended June 30, 2021. The increase was driven by the acquisition of Trinitas in January 2022 as well as investments in strategic capital projects which were completed in the latter part of 2021. Significant completed capital projects included several phases of the Emergency department renovation at Community Medical Center, the Cooperman Barnabas Medical Center Emergency department expansion, renovation for Newark Beth Israel Medical surgical unit and parking garages, and Epic which went live for certain affiliates of the Corporation.

Nonoperating Gains and Losses

The following table presents a summary of nonoperating revenue and expenses of the Corporation for the six months ended June 30, 2022 and 2021.

	Six months ended June 30,	
	2022	2021
Investment income	$ 40,805	36,552
Realized gains on investments	50,066	157,301
Unrealized losses gains on investments	(819,971)	82,348
Contribution received in acquisition	314,636	-
Net periodic benefit cost	(1,810)	(1,211)
Interest rate swap valuation changes	22,510	5,402
Break-up fee	(30,000)	-
Loss on early extinguishment of debt	(2,551)	-
Total nonoperating revenue, net	$ (426,315)	280,392

Net investment income and realized gains, net totaled $90,871 and $193,853 for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022, net unrealized losses were $819,971 as compared to net unrealized gains of $82,348 for the six months ended June 30, 2021.

The Corporation entered into various interest rate swap agreements in 2020 and 2021 in order to hedge future interest rate exposure on fixed rated bonds. The total notional amount of all swap agreements is $279,000. For the six months ended June 30, 2022 and 2021, the aggregate change in the net fair value of the interest rate swap agreements was $22,510 and $5,402, respectively. Swap agreements expose the Corporation to credit risk in the event of noncompliance by the counterparties. To help mitigate that risk, the swaps were structured with three different counterparties. The Corporation believes the risk of any material impact to the consolidated financial statements is low.

As a result of the merger with Trinitas, the Corporation recognized $314,636 of net assets contributed in acquisition. On January 27, 2022, the Corporation legally defeased all of the outstanding New Jersey Health Care Facilities Financing Authority Refunding and Revenue Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2016A and all of the outstanding New Jersey Health Care Facilities Financing Authority Refunding Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2017A, in the amount of $72,252. The transaction resulted in a loss on early extinguishment of debt of $2,551.

The Corporation and Saint Peter's Healthcare System (SPHCS) had entered into a Definitive Agreement on September 10, 2020 to integrate the two healthcare systems. On June 14, 2022, the Corporation mutually agreed with the leadership of SPHCS to end the proposed transaction. In accordance with the Definitive Agreement, the Corporation incurred a $30,000 break-up fee in connection with the termination of this transaction.

Fundraising

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

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

	Six months ended June 30,		
		2022	2021
Contributions without donor restrictions	$	2,209	1,810
Contributions with donor restrictions		11,969	7,199
Total contributions		14,178	9,009
Support to affiliates	$	17,356	10,743

Unrestricted Cash and Investments

The Corporation's financial position remains strong with $11.3 billion in total assets and $4.9 billion in net assets. Total cash and investments (without donor restrictions) amounted to over $4.8 billion (or 257.2 days) at June 30, 2022, a decrease of $616,000 over the balance at December 31, 2021, excluding the Medicare Advance. Trinitas contributed approximately $331,000 of unrestricted cash and investments as a result of the merger. The Corporation continues to invest in capital with approximately $325,000 in additions during 2022. During 2022, $114,801 of bond proceeds related to the Series 2021A bonds were reimbursed from the construction fund. The Corporation also made debt service payments of approximately $121,500 which includes principal and interest and the impact of the defeasance of the Trinitas debt. Investment performance had a signficant impact on investments which resulted in a decrease in value.

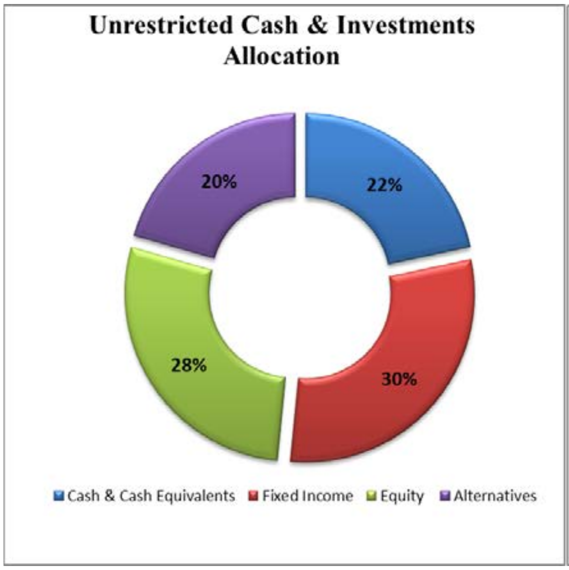
Total unrestricted cash and investments (excluding the Medicare Advance) for the Corporation as of June 30, 2022 and December 31, 2021 were as follows:

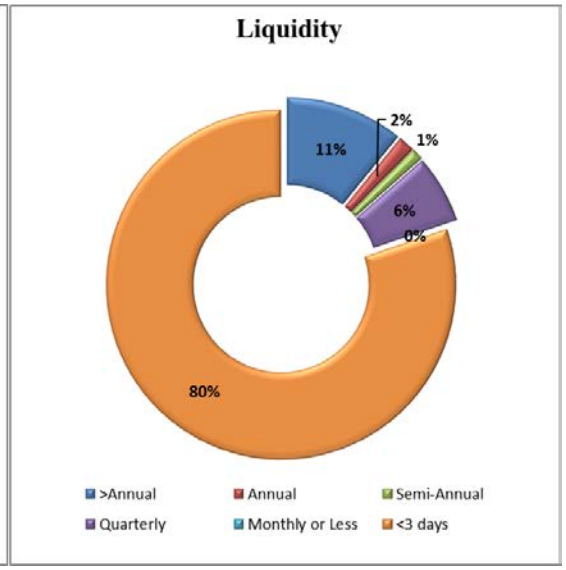
		June 30, 2022	December 31, 2021
Cash and cash equivalents	$	417,242	154,095
Current investments		167,018	406,551
Noncurrent investments		4,222,344	4,862,135
Total unrestricted cash and investments	$	4,806,604	5,422,781

There are two distinct investment portfolios within the Unrestricted Cash and Investment Portfolio, the Capital Reserve Fund (CRF) and Long-Term Portfolio (LTP). Management of these portfolios continues to provide flexibility to support the System's strategic capital plans particularly during times of operating uncertainty and market volatility. The CRF was established at the end of 2019 in anticipation of the Corporation's significant capital investment plans, and is critical to balance near term funding requirements along with long term strategic growth opportunities. It is sized at the beginning of each year to maintain liquidity for the next 12 months of projected extraordinary expenditures in excess of anticipated operating cash flows. The CRF permits the Corporation to assume more risk in the LTP allowing for a higher return potential. The LTP maximizes risk-adjusted returns subject to risk constraints with prudent strategic investing.

In accordance with the Corporation's Investment Policy Statement, at least 75% of the asset value of the unrestricted portfolio must be classified as "monthly" liquidity. As of June 30, 2022, 80% of the total unrestricted cash and investments were classified as monthly liquidity or less.

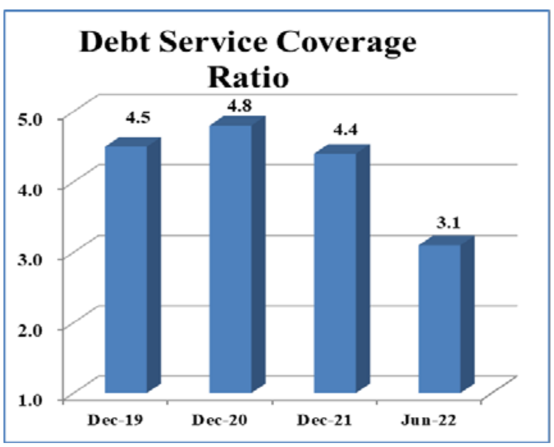
The following charts present the allocation of unrestricted cash and investments by asset type and the portfolio's liquidity as of June 30, 2022.

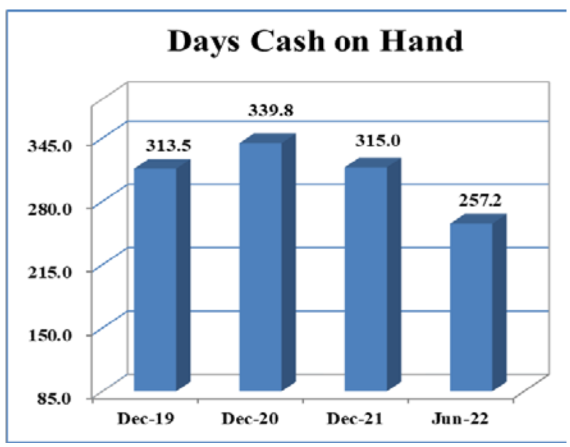




Financial Condition

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





Days cash on hand and the cash-to-debt ratio have been adjusted to exclude the Medicare Advance received under the CARES Act.

On March 31, 2022, the Corporation amended its $50,000 secured revolving promissory note with JP Morgan Chase Bank, N.A. to extend it through March 31, 2023. The note contains an accordion feature that allows the Corporation to increase the loan by an additional $50,000. The note will be used for routine capital needs. There are no borrowings outstanding.

The following table presents key financial indicators as of June 30, 2022 and December 31, 2021 and 2020 as compared to S&P's "AA", "AA-" and "A+" medians.

	June 30, 2022	December 31, 2021	December 31, 2020	AA	AA-	A+
Debt service coverage	3.1	4.4	5.8	4.6	3.9	3.9
Debt-to-capitalization	42.9%	39.7%	22.2%	26.9%	31.7%	31.7%
Cash-to-debt	137.9%	161.1%	300.7%	237.3%	172.9%	172.9%
Days cash on hand	257.2	315.0	344.9	286.7	208.1	208.1

The following table presents other select ratios as of June 30, 2022 and December 31, 2021 and 2020.

	June 30, 2022	December 31, 2021	December 31, 2020
Days in patient accounts receivable	41.6	40.8	42.8
Days in accounts payable	59.9	64.9	58.6
Reinvestment ratio	2.35	2.26	1.82

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets

(In thousands)

Assets	**June 30, 2022** (unaudited)	**December 31, 2021** (audited)
Current assets:		
Cash and cash equivalents	$ 417,242	154,095
Short-term Investments	309,018	755,551
Assets limited or restricted as to use	124,267	90,605
Patient accounts receivable	774,332	678,737
Estimated amounts due from third party payors	129,487	107,097
Other current assets	325,163	374,803
Total current assets	2,079,509	2,160,888
Assets limited or restricted as to use, non-current portion	737,754	819,128
Investments	4,222,344	4,862,135
Property, plant and equipment, net	3,326,009	2,910,166
Right of use asset	218,987	258,089
Other assets, net	728,576	667,089
Total assets	11,313,179	11,677,495
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	490,585	492,231
Accrued expenses and other current liabilities	1,234,071	1,116,185
Estimated amounts due to third party payors	166,458	375,500
Long-term debt	39,397	38,468
Lease obligation	35,255	37,942
Self-insurance liabilities	113,743	100,562
Total current liabilities	2,079,509	2,160,888
Estimated amounts due to third party payors, net of current portion	114,347	62,124
Self insurance liabilities, net of current portion	352,390	324,618
Long-term debt, net of current portion	3,446,305	3,327,935
Lease obligation, net of current portion	199,763	234,433
Accrued pension liability	36,657	29,018
Other liabilities	164,690	149,930
Total liabilities	6,393,661	6,288,946
Net assets:		
Without donor restrictions	4,636,819	5,118,887
With donor restrictions	282,699	269,662
Total net assets	4,919,518	5,388,549
Total liabilities and net assets	$ 11,313,179	11,677,495

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Operations

Six months ended June 30, 2022 and 2021

(In thousands)

(unaudited)

		2022	2021
Revenue:			
Patient service revenue	$	3,367,991	2,955,772
CARES Act grant revenue		26,778	50,865
Other revenue, net		256,617	204,347
Total revenue		3,651,386	3,210,984
Expenses:			
Salaries and wages		1,430,088	1,218,525
Physician fees and salaries		436,284	357,077
Employee benefits		292,489	239,677
Supplies		648,617	606,354
Other		702,595	553,077
Interest		53,287	50,466
Depreciation and amortization		150,712	141,339
Total expenses		3,714,072	3,166,515
(Loss) income from operations		(62,686)	44,469
Nonoperating revenue (expenses):			
Investment (loss) income, net		(729,100)	276,201
Contribution received in acquisition		314,636	-
Other, net		(11,851)	4,191
Total nonoperating (expenses) revenue, net		(426,315)	280,392
(Deficiency) excess of revenue over expenses		(489,001)	324,861
Other changes:			
Pension changes other than net periodic benefit cost		(5,828)	426
Net assets released from restriction for purchases of property and equipment		12,872	3,818
Other, net		(111)	292
(Decrease) increase in net assets without donor restrictions	$	(482,068)	329,397

See accompanying notes to consolidated financial statements.

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Changes in Net Assets

Period ended June 30, 2022 and June 30, 2021

(In thousands)

(unaudited)

	Without donor restrictions	With donor restrictions	Total net assets
Net assets at December 31, 2020	$ 4,677,376	182,052	4,859,428
Changes in net assets:			
Excess of revenues over expenses	324,861	-	324,861
Pension related changes other than net periodic benefit cost	426	-	426
Change in interest in restricted net assets of unconsolidated foundations	-	(3,267)	(3,267)
Net assets released from restriction	3,818	(5,065)	(1,247)
Restricted contributions	-	7,303	7,303
Investment income on restricted investments, net	-	209	209
Other	292	(29)	263
Changes in net assets	329,397	(849)	328,548
Net assets at June 30, 2021	5,006,773	181,203	5,187,976
Net assets at December 31, 2021	5,118,887	269,662	5,388,549
Changes in net assets:			
Deficiency of revenues over expenses	(489,001)	-	(489,001)
Contribution received in acquisition	-	12,019	12,019
Pension changes other than net periodic benefit cost	(5,828)	-	(5,828)
Change in interest in restricted net assets of unconsolidated foundations	-	5,612	5,612
Net assets released from restriction	12,872	(18,076)	(5,204)
Restricted contributions	-	14,608	14,608
Investment loss on restricted investments, net	-	(988)	(988)
Other	(111)	(138)	(249)
Changes in net assets	(482,068)	13,037	(469,031)
Net assets at June 30, 2022	$ 4,636,819	282,699	4,919,518

RWJ BARNABAS HEALTH, INC.

Consolidated Statements of Cash Flows

Six months ended June 30, 2022 and 2021

(In thousands)

(unaudited)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(469,031)	328,548
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Contribution received in acquisitions		(326,655)	-
Pension changes other than net periodic benefit cost		5,828	(426)
Depreciation and amortization expense		150,712	141,339
Amortization of bond financing costs, premiums and discounts		(6,056)	(3,778)
Net change in unrealized losses (gains) on investments		819,971	(82,348)
Realized gains on investments		(50,066)	(157,301)
Gain on interest rate swaps		(22,510)	(5,403)
Equity in income of joint venture		(44,747)	(38,432)
Distributions received from investments in joint ventures		26,358	23,522
Distributions to noncontrolling interests		232	98
Gain on sale of assets		(1,424)	(808)
Loss on early extinguishment of debt, net		2,551	-
Changes in operating assets and liabilities:			
Patient accounts receivable		(66,420)	(97,253)
Reduction in the carrying amount in the right-of-use assets		25,508	29,733
Other assets		54,145	(58,544)
Accounts payable, accrued expenses, and other current liabilities		88,675	126,849
Estimated amounts due from and to third-party payors, net		(236,745)	(55,813)
Accrued pension liability		1,811	1,212
Lease obligation, self-insurance and other long-term liabilities		818	11,087
Net cash (used in) provided by operating activities		(47,045)	162,282
Cash flows from investing activities:			
Purchases of property, plant, and equipment		(325,449)	(280,075)
Purchases of investments		(5,605,290)	(2,271,675)
Proceeds from the sale of investments		6,092,419	2,669,022
Investment in joint venture		(4,894)	(62,893)
Cash and restricted cash acquired		164,669	-
Proceeds from sale of assets		1,601	2,059
Net cash provided by investing activities		323,056	56,438
Cash flows from financing activities:			
Repayments of long-term debt		(75,658)	(2,186)
Payments for deferred financing costs		-	(37)
Distributions to noncontrolling interest		(232)	(98)
Net cash used in financing activities		(75,890)	(2,321)
Net increase in cash, cash equivalents, and restricted cash		200,121	216,399
Cash, cash equivalents, and restricted cash at beginning of year		676,993	121,565
Cash, cash equivalents, and restricted cash at end of period	$	877,114	337,964
Cash and cash equivalents	$	417,242	256,969
Restricted cash included in assets limited or restricted as to use		459,872	80,995
Total cash, cash equivalents, and restricted cash	$	877,114	337,964
Supplemental disclosures of cash flow information:			
Cash paid for interest	$	45,798	50,495
Finance lease obligations incurred		128,623	1,371
Supplemental disclosure of noncash investing and financing activity:			
Change in noncash acquisitions of property, plant and equipment		(45,318)	(42,035)

See accompanying notes to the consolidated financial statements.

(1) Organization

RWJ Barnabas Health, Inc. (the Corporation) is a not for profit, tax exempt corporation located in West Orange, New Jersey. RWJ Barnabas Health, Inc. is the sole corporate member or sole shareholder of the Corporation's affiliated organizations. The Corporation was organized to develop and operate a multihospital healthcare system providing a comprehensive spectrum of healthcare services, principally to the residents of New Jersey and surrounding areas.

The services and facilities of the Corporation include 12 acute care hospitals, 3 acute care children's hospitals, a pediatric rehabilitation hospital with a network of outpatient centers, a freestanding 100-bed behavioral health center, two trauma centers, a satellite emergency department, ambulatory care centers, geriatric centers, the state's largest behavioral health network, comprehensive home care and hospice programs, fitness and wellness centers, physical therapy services, retail pharmacy services, medical groups, multi-site imaging centers, an accountable care organization, a burn treatment facility, comprehensive cancer services, breast centers, and comprehensive cardiac surgery services, including a heart transplant center, a lung transplant center, and kidney transplant centers.

Trinitas Acquisition

The Corporation, Trinitas Regional Medical Center (Trinitas) and Trinitas Health (TH) closed on an affiliation transaction, effective January 1, 2022 (Acquisition Date), whereby the Corporation has replaced TH as the sole member of Trinitas. TH merged with, and into Trinitas, with Trinitas as the surviving merger entity. Trinitas is a 554 bed, Catholic, acute care teaching hospital, headquartered in Elizabeth, New Jersey. Under the terms of the Definitive Agreement, dated November 11, 2020, the role of Trinitas as a full service, Catholic provider of acute healthcare services for the eastern Union County community will be enhanced. Together, both organizations will be able to increase access to high-quality healthcare in the northern and central New Jersey regions, and expand outreach to underserved communities. This includes a specific focus on cardiac care, oncology, emergency services, renal care/dialysis, women's health and wound care, as well as behavioral health services and others.

No cash consideration was exchanged at the closing of the transaction. The Corporation accounted for this business combination by applying the acquisition method, and accordingly, the inherent contribution received was valued as the excess of the fair value of the assets acquired over the fair value of the liabilities assumed. The results of Trinitas' operations have been included in the consolidated financial statements commencing on the Acquisition Date.

The estimated fair value of the assets acquired and liabilities assumed as of the Acquisition Date is as follows:

		January 1, 2022
Current assets	$	196,962
Noncurrent assets (including property, plant and equipment)		372,093
Total assets acquired		569,055
Current liabilities		89,194
Noncurrent liabilities		153,206
Total liabilities assumed		242,400
Contribution received in acquisition	$	326,655
Net assets without donor restrictions	$	314,636
Net assets with donor restrictions		12,019
	$	326,655

The following table summarizes the amounts attributable to Trinitas since the Acquisition Date that are included in the accompanying consolidated financial statements:

		Six months ended June 30, 2022
Total operating revenue	$	154,476
Total operating expense		163,933
Loss from operations		(9,457)
Total nonoperating expenses, net		(9,997)
Deficiency of revenue over expenses		(19,454)
Change in net assets:		
Without donor restrictions		2,242
With donor restrictions		(1,918)
Change in net assets		324
Decrease in net assets	$	(19,130)

The following table represents the proforma financial information, assuming the acquisition of Trinitas had taken place on January 1, 2021. The proforma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected on January 1, 2021.

		Six months ended	
		June 30, 2022	**June 30, 2021**
Total operating revenue	$	3,651,386	3,382,113
Total operating expense		3,714,072	3,328,970
(Loss) income from operations		(62,686)	53,143
Total nonoperating (expenses) revenue		(715,951)	286,298
(Deficiency) excess of revenue over expenses		(778,637)	339,441
Change in net assets:			
Without donor restrictions		6,933	8,424
With donor restrictions		1,018	(1,119)
Change in net assets		7,951	7,305
(Decrease) increase in net assets	$	(770,686)	346,746

Proforma excess of revenue over expenses for the six months ended June 30, 2022 excludes $314,636 of nonoperating revenue and $12,019 of net assets with donor restrictions which represents the contribution received as a result of the acquisition.

(2) Significant Accounting Policies

(a) Basis of Accounting of Financial Statement Presentation

The accompanying unaudited consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Footnotes and other disclosures that would substantially duplicate the disclosures contained in an audited financial statement have been omitted. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements of the Corporation. Eliminations and reporting adjustments have been made to present the information in accordance with GAAP. The data should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 and related notes. Information as of and for the six months ended June 30, 2022 and 2021 is not based on audited information but, in the opinion of management, is presented on a basis consistent with the audited consolidated financial statements and includes adjustments necessary for a fair presentation therein. Adjustments to these financial statements may occur as a result of a more comprehensive review undertaken as part of the audit process for the year ended December 31, 2022.

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

(b) Use of Estimates

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

(3) Revenue

(a) Patient Services Revenue

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

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

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

The majority of the Corporation's services are rendered to patients with third-party payor insurance coverage. Reimbursement under these programs for all payors is based on a combination of prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents and the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims. Agreements with third-party payors typically provide for payments at amounts less than established charges. For further discussion on third-party reimbursement, refer to note 5. Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Implicit price concessions are determined on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change and are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments arising from a change in the transaction price were not significant for the six months ended June 30, 2022 or 2021. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. There was no bad debt expense for the six months ended June 30, 2022 or 2021.

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

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

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount. During the six months ended June 30, 2022 and 2021 certain prior year third-party cost reports were audited and settled, or tentatively settled by third-party payors. Adjustments resulting from such audits, settlements, and management reviews are reflected as adjustments to patient service revenue in the period that adjustments become known. The effect of cost report settlements increased patient service revenue by $28 and $5,356, respectively, for the six months ended June 30, 2022 and

2021. Although certain other prior year cost reports submitted to third-party payors remain subject to audit and retroactive adjustment, management does not expect any material adverse settlements.

(b) Other Revenue

Other revenue includes income from grants, equity in the income of healthcare joint ventures, unrestricted contributions, net assets released from restriction, cafeteria sales, and parking receipts. Grant revenue and contributions of the Corporation are nonexchange transactions in which no commensurate value is exchanged. In such cases, contribution accounting is applied under ASC Topic 958, Not-for-Profit Entities. See note 4 for grant funding received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Equity in the income of joint ventures is evaluated under ASC Topic 323, Investments – Equity Method and Joint Ventures.

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

(4) COVID-19 Pandemic and Government Funding

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The pandemic adversely affected the Corporation's results of operations during 2020 and continues to affect the Corporation's results through 2022. However, the Corporation experienced a gradual and steady recovery in volumes in 2021 as compared to 2020. There was a substantial spike in COVID-19 cases in December 2021 and January 2022 due to Delta and Omicron variants. This surge resulted in a temporary slowdown or pause on elective surgical procedures at certain hospitals. Since January, cases in New Jersey and within our hospitals have dropped significantly and volumes are again recovering.

On March 27, 2020, the President signed into law the CARES Act, which provides economic assistance to a wide array of industries, including healthcare. The CARES Act provides financial relief under several programs including a funding advance of Medicare payments, deferral of the employer portion of payroll taxes and establishment of the Provider Relief Fund (PRF). The U.S. Department of Health and Human Services (HHS) is expected to provide $175,000,000 to assist healthcare providers in the recovery of lost revenues attributable to COVID 19 and healthcare related expenses. Under the PRF, the Corporation received a total of approximately $683,000 during 2020 and 2021. These funds are considered a grant that is not subject to repayment, provided the Corporation maintains compliance with the related terms, conditions, and reporting requirements of the grant set forth by HHS. The compliance and reporting requirements, as issued and updated by HHS, may continue to evolve, which could impact the amounts recognized by the Corporation through this program. The Corporation recognized $26,778 and $50,865 as CARES Act grant revenue for the six months ended June 30, 2022 and 2021. From 2020 through June 30, 2022, the Corporation has recognized a total of approximately $663,000. The remaining deferred payments may be recognized as operating revenue in future periods, subject to compliance with current rules and conditions and ongoing regulatory clarifications.

During the year ended December 31, 2020, the Corporation received approximately $556,000 in Medicare payment advances under the Medicare Accelerated and Advanced Payment Program. Medicare started recouping these advances in April 2021 with final recoupments expected by August 2022. As of June 30, 2022, approximately $414,000 has been recouped of which $207,000 was recouped in 2022. As of June 30, 2022 and December 31, 2021, approximately $142,000 and $349,000 are recorded in the current portion of estimated amounts due to third party payors in the consolidated balance sheets.

The Corporation elected to defer the deposit and payment of the employer's share of Social Security taxes incurred from March 27, 2020 through December 31, 2021 as allowed under the CARES Act. The program requires payment of 50% of the deferred taxes by December 31, 2021 and 50% by December 31, 2022. As of December 31, 2020, the Corporation accumulated approximately $88,000 of deferred employer payroll taxes. As of June 30, 2022 and December 31, 2021, approximately $46,000 of this amount was repaid, the balance of approximately $42,000 is included in accrued expenses and other current liabilities in the consolidated balance sheet.

The Corporation applied for and received approval for the reimbursement of qualifying expenses under the Federal Emergency Management Agency (FEMA). For the six months ended June 30, 2022 and 2021, the Corporation recognized approximately $19,724 and $26,261 of FEMA funds within other revenue in the consolidated statement of operations.

(5) Fair Value Measurements

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

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

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

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

The following tables present the Corporation's fair value hierarchy for those assets measured at fair value on a recurring basis, and exclude pledges receivable, net, other investments, and accrued interest receivable, as of June 30, 2022 and December 31, 2021:

	June 30, 2022				
	Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Investment categories:					
Cash and cash equivalents and money market funds	$ 806,920	806,920	—	—	—
Equity securities	503,815	503,815	—	—	—
Equity mutual funds	946,224	923,263	22,961		
Fixed income mutual funds	384,740	384,740	—	—	—
Certificates of deposit	243	—	243	—	—
Unit investment trusts	1,233	1,233	—	—	—
Commercial mortgage-backed securities	124,216	—	124,216	—	—
Corporate bonds	871,553	—	871,553	—	—
Asset-backed securities	289,391	—	289,391	—	—
Government bonds	170,479	—	170,479	—	—
Government mortgage-backed securities	155,400	—	155,400	—	—
Municipal bonds	27,654	—	27,654	—	—
Alternative investments	978,904	—	—	—	978,904
Total	$ 5,260,772	2,619,971	1,661,897	—	978,904

	December 31, 2021				
	Fair value	**Level 1**	**Level 2**	**Level 3**	**NAV**
Investment categories:					
Cash and cash equivalents and money market funds	$ 933,698	933,698	—	—	—
Equity securities	540,805	540,805	—	—	—
Equity mutual funds	1,457,273	1,422,936	34,337	—	—
Fixed income mutual funds	402,015	402,015	—	—	—
Certificates of deposit	5,914	—	5,914	—	—
Unit investment trusts	1,269	1,269	—	—	—
Commercial mortgage-backed securities	153,818	—	153,818	—	—
Corporate bonds	1,196,208	—	1,196,208	—	—
Asset-backed securities	377,889	—	377,889	—	—
Government bonds	176,092	—	176,092	—	—
Government mortgage-backed securities	121,631	—	121,631	—	—
Municipal bonds	43,153	—	43,153	—	—
Alternative investments	983,930	—	—	—	983,930
Total	$ 6,393,695	3,300,723	2,109,042	—	983,930

(6) Long-term debt

Long-term debt consists of the following:

	June 30, 2022	December 31, 2021
Revenue and refunding bonds	$ 2,836,017	2,836,218
Senior secured notes	300,000	300,000
Notes payable	45	-
Finance lease obligations	157,584	32,166
Total long-term debt	3,293,646	3,168,384
Plus unamortized bond premium	212,061	218,751
Less:		
Unamortized bond discount	1,053	1,161
Deferred financing costs, net	18,952	19,572
Current portion	39,397	38,468
Long-term portion	$ 3,446,305	3,327,935

Under the terms of the Master Trust Indenture (MTI), Barnabas Health, Inc., Children's Specialized Hospital (CSH), Clara Maass Medical Center, Community Medical Center, Jersey City Medical Center, Monmouth Medical Center (including Monmouth Medical Center, Southern Campus), Newark Beth Israel

Medical Center, RWJ Barnabas Health, Inc., Robert Wood Johnson University Hospital (RWJUH), Robert Wood Johnson University Hospital at Hamilton, Robert Wood Johnson University Hospital Rahway, and Cooperman Barnabas Medical Center (SBMC) are members of an Obligated Group. Substantially all of the Corporation's debt is subject to the provisions of the MTI.

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

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

The Corporation's Obligated Group is required to maintain certain financial covenants in connection with the NJHCFFA and credit arrangements with a consortium of banks, including JPMorgan Chase Bank, N.A. (JPMorgan), TD Bank and U.S. Bank.

On August 19, 2021, the Corporation legally defeased all of the outstanding New Jersey Health Care Facilities Financing Authority Revenue and Refunding Bonds, Barnabas Health Issue, Series 2012A that mature on and after July 1, 2023. The principal amount of the defeased bonds was $81,250. U.S. Bank National Association is the bond trustee and escrow agent. The defeased bonds will be called for optional redemption on July 1, 2022 at a redemption price equal to 100% of the principal amount plus accrued interest. The principal amount of the remaining Series 2012A Bonds that was not defeased is $9,000 and will be called for redemption on July 1, 2022 with accrued interest due on January 1, 2022 and July 1, 2022.

On September 30, 2021, the Obligated Group issued New Jersey Health Care Facilities Financing Authority, RWJ Barnabas Health Revenue Bonds, Series 2021A in the amount of $751,845 as obligations under the MTI. These bonds mature on July 1, 2051 and consist of principal of $351,355 and $400,490 in Serial and Term Bonds, respectively. Series 2021A was issued at a premium of $118,456 for a total source of funds of $870,301. Principal payments are due annually on July 1 and interest payments are due semiannually until maturity. The bond proceeds will be used to fund the construction of the Rutgers CINJ as well as various other capital projects. As of June 30, 2022, $502,254 of the bond proceeds was reimbursed from the construction fund.

The Corporation has entered into forward interest rate swap agreements with JPMorgan, Bank of America, and U.S. Bank, respectively. Under the terms of these agreements, the Corporation is paying fixed interest rates ranging from 0.90275% to 1.3625% in exchange for variable rate payments equal to 70% of the effective Federal funds rate. The notional amounts on these swap agreements are tied to the outstanding principal on the underlying bond series. The Corporation has the option to terminate the interest rate swap agreements on or before July 1, 2034. As of June 30, 2022 and December 31, 2021, the fair value of the interest rate swap agreements, net of a credit value adjustment of $3,150 and $1,103, was $28,655 and $6,145, respectively, and is included in other assets, net.

On March 31, 2021, the Corporation entered into a secured revolving promissory note (the Note) for the principal amount of $50,000 with JPM for routine working capital needs. The Note contained an accordion feature that allowed the Corporation to increase the loan by an additional $50,000. The terms of the Note include a commitment fee of .12% and a LIBOR spread at .55%. There was no cash drawn from the Note during the term. The Note expired on March 31, 2022 and was replaced with a $50,000 secured revolving promissory note (New Note) with JPM expiring on March 31, 2023. The terms of the New Note include a commitment fee of .12%. The interest rate is based on an adjusted term SOFR Rate for the interest period plus .55% per annum. As of June 30, 2022 and December 31, 2021, $5,025 and $5,575 of the New Note and the Note was used in the form of standby letters of credit (LOC) that provides liquidity support for the Corporation's self-insured workers' compensation and other programs. As of August 12, 2022, there were no borrowings outstanding.

On January 27, 2022, in connection with the Definitive Agreement, the Corporation legally defeased all of the outstanding New Jersey Health Care Facilities Financing Authority Refunding and Revenue Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2016A and all of the outstanding New Jersey Health Care Facilities Financing Authority Refunding Bonds, Trinitas Regional Medical Center Obligated Issue, Series 2017A. The total payment for the defeased bonds was $72,252. The transaction resulted in a loss on extinguishment of debt of $2,551 which is recorded in other, net within nonoperating revenue.

(7) Employee Benefit Plans

The Corporation maintains several benefit plans for its employees. The following are brief descriptions of those plans and related expenses for the six months ended June 30, 2022 and 2021:

- The Corporation provides pension benefits to its employees through defined contribution plans. Contributions to these plans are based on percentages of annual salaries. It is the policy of the Corporation to fund accrued costs under these plans on a current basis. Pension expense related to these defined contribution plans was approximately $46,749 and $41,632 for the six months ended June 30, 2022 and 2021, respectively.

- Certain affiliates of the Corporation contribute to various multiemployer defined benefit pension plans under the terms of collective bargaining agreements that cover union-represented employees. Contributions to these plans approximated $2,539 and $2,284 for the six months ended June 30, 2022 and 2021, respectively.

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

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

The assets of the RWJBH Plan are managed under a liability-driven investment (LDI) strategy. Under the LDI strategy, the expected rate of return on plan assets is based upon the assumption that plan assets will be invested primarily in fixed income and other related securities based upon their ability to perform similarly to the characteristics of the plan liabilities over time. The policy of the Corporation is to evaluate the annual funding liability on a calendar year basis. No contributions were made to the RWJBH Plan during the six months ended June 30, 2022 and 2021.

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

The Corporation, Rutgers, the State University of New Jersey (Rutgers), and Rutgers Health Group (RHG) entered into a Master Affiliation Agreement (MAA) in 2018 to partner and create the state's largest academic healthcare system with the goal of integrating medical education, advanced research, and healthcare delivery to produce world class clinical services and outcomes.

The Corporation, Rutgers, and RHG are separate and distinct legal entities. The MAA requires reciprocal commitments and the alignment of each party's respective strategic, operational, and financial interests, and activities as part of a coordinated and mutually supportive academic health system. A Joint Committee was established for strategic planning and oversight featuring equal representation from the Corporation and Rutgers. The Corporation and Rutgers have continued to execute on strategies contemplated in the MAA including integrating the clinical operations of the Faculty of Robert Wood Johnson Medical School (RWJMS) and the Rutgers CINJ through Integrated Practice Agreements (IPA) effective July 1, 2020 and July 1, 2021, respectively. Under the terms of these agreements, Rutgers will continue to employ providers and certain support staff, but the Corporation will be responsible for the operations of the clinical practices and related financial results. This includes establishing a unified medical records system across the Corporation's entire medical group (including RWJMS and CINJ) and creating a unified and integrated patient experience.

The MAA required the Corporation to invest $100,000 through June 30, 2019 of which $45,000 was capitalized for the right to use the Rutgers Health brand name. In addition, more than $1,000,000 over 20 years will be invested to expand the education and research mission of the integrated academic health system. During the six months ended June 30, 2022 and 2021, the Corporation made payments to Rutgers in the amounts of $87,172 and $50,833, respectively, related to the MAA and IPA agreements. As of June 30, 2022 and December 31, 2021, the Corporation owed Rutgers $167,159 and $92,404, net, respectively, under the MAA and IPA agreements. These amounts are included in accrued expenses and other liabilities in the consolidated balance sheets.

(9) Potential Affiliations

The Corporation and Saint Peter's Healthcare System (SPHCS) had entered into a Definitive Agreement on September 10, 2020 to integrate the two healthcare systems. On June 14, 2022, the Corporation mutually agreed with the leadership of SPHCS to end the proposed transaction. In accordance with the Definitive Agreement, the Corporation incurred a $30,000 break-up fee in connection with the termination of this transaction. The amount is recorded in nonoperating revenue (expenses) in the consolidated statement of operations.

(10) Commitments

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

The implementation will be done in phases. The first go live was completed in May 2021. The anticipated completion date of the entire project is 2024. Through June 30, 2022, the Corporation has incurred approximately $412,000 in capital and operating costs and anticipates spending an additional $338,000 to complete the project.

(11) Subsequent Events

Management evaluated all events occurring subsequent to June 30, 2022 and through August 12, 2022, the date the consolidated financial statements were available to be issued. The Corporation did not have any material recognizable subsequent events during the period, except as previously disclosed.

RWJ BARNABAS HEALTH, INC.

Note to Consolidated Financial Statements - Obligated Group

The following financial information as of June 30, 2022 (unaudited) and December 31, 2021(audited) and for the six months ended June 30, 2022 and 2021 (unaudited) on pages 39 and 40 of the Corporation's Obligated Group was prepared for purposes of accommodating a certain group of bond and note holders. The financial information reflects the financial position and results of operations and changes in net assets of the Obligated Group and not of the entire Corporation and is not intended to be presented in conformity with U.S. generally accepted accounting principles.

RWJ BARNABAS HEALTH, INC.

Consolidated Balance Sheets - Obligated Group

(In thousands)

Assets	**June 30, 2022** (unaudited)	**December 31, 2021** (audited)
Current assets:		
Cash and cash equivalents	$ 298,354	217,319
Short-term investments	543,689	795,118
Assets limited or restricted as to use	93,689	61,020
Patient accounts receivable, net	667,287	593,046
Estimated amounts due from third party payors	129,128	106,742
Other current assets	249,524	317,806
Total current assets	1,981,671	2,091,051
Assets limited or restricted as to use, non-current portion	510,994	611,677
Investments	3,956,769	4,789,520
Property, plant and equipment, net	3,020,097	2,755,902
Right-of-use asset	141,500	182,579
Other assets, net	537,313	504,336
Total assets	10,148,344	10,935,065
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	431,231	433,174
Accrued expenses and other current liabilities	826,496	857,262
Estimated amounts due to third party payors	153,139	370,886
Long-term debt	43,341	42,424
Lease obligation	17,513	22,482
Due to affiliates, net	458,311	323,389
Self-insurance liabilities	51,640	41,434
Total current liabilities	1,981,671	2,091,051
Estimated amounts due to third party payors, net of current portion	62,072	62,124
Self insurance liabilities, net of current portion	131,660	122,180
Long-term debt, net of current portion	3,375,139	3,256,755
Lease obligation, net of current portion	128,134	163,933
Accrued pension liability	36,657	29,018
Other liabilities	131,151	131,628
Due to affiliates, long term, net	14,813	14,813
Total liabilities	5,861,297	5,871,502
Net assets	4,287,047	5,063,563
Total liabilities and net assets	$ 10,148,344	10,935,065

See accompanying note to consolidated financial statements - obligated group.

RWJ BARNABAS HEALTH, INC.

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

Six months ended June 30, 2022 and 2021

(In thousands)

(unaudited)

	2022	2021
Revenue:		
Net patient service revenue	$ 2,850,156	2,654,242
CARES Act Funding	22,420	50,865
Other revenue, net	176,640	151,507
Total revenue	3,049,216	2,856,614
Expenses:		
Salaries and wages	1,170,522	1,090,622
Physician fees and salaries	373,524	277,206
Employee benefits	232,034	216,153
Supplies	579,793	560,918
Other	563,056	474,887
Interest	52,481	49,847
Depreciation and amortization	134,712	132,653
Total expenses	3,106,122	2,802,286
(Loss) income from operations	(56,906)	54,328
Nonoperating revenue (expenses):		
Investment (loss) income, net	(714,745)	272,934
Other, net	(9,274)	4,208
Total nonoperating (expenses) revenue, net	(724,019)	277,142
(Deficiency) excess of revenue over expenses	(780,925)	331,470
Other changes in net assets:		
Pension changes other than net periodic benefit cost	(5,828)	426
Net assets released from restriction for purchases of property and equipment	10,630	3,818
Other, net	(393)	(4,915)
(Decrease) increase in net assets	$ (776,516)	330,799

See accompanying note to consolidated financial statements - obligated group.