



Financial Statements and Report of  
Independent Certified Public Accountants

**Cape Regional Medical Center, Inc.**

December 31, 2018 and 2017



**CAPE REGIONAL**  
HEALTH SYSTEM

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## **Report of Independent Certified Public Accountants**

Board of Trustees  
Cape Regional Medical Center, Inc.

### **Report on the financial statements**

We have audited the accompanying financial statements of Cape Regional Medical Center, Inc. (the “Medical Center”), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor’s responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Medical Center’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cape Regional Medical Center, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of matter**

As discussed in Note B.17 to the financial statements, in 2018 the Medical Center adopted Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania

March 14, 2019

Cape Regional Medical Center, Inc.

**BALANCE SHEETS**

December 31,

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,312,991	\$ 3,911,067
Assets limited as to use	24,504,828	21,500,000
Patient accounts receivable, net of allowance for doubtful accounts of \$11,754,000 in 2018 and \$11,437,000 in 2017	13,969,374	15,257,233
Supplies	2,247,950	2,078,764
Due from affiliates	1,445,477	1,124,742
Prepaid expenses and other current assets	<u>4,309,264</u>	<u>4,281,803</u>
Total current assets	47,789,884	48,153,609
Assets limited as to use:		
Internally designated by Board of Trustees	62,311,519	73,350,973
Property and equipment, net	39,398,436	42,064,344
Due from affiliates	5,732,382	2,546,801
Other assets	<u>2,796,438</u>	<u>2,462,242</u>
Total assets	<u>\$ 158,028,659</u>	<u>\$ 168,577,969</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 24,921,130	\$ 21,927,916
Accounts payable	6,305,321	6,178,214
Accrued expenses	6,688,651	7,179,125
Accrued employee personal days	2,375,699	2,267,548
Estimated settlements due to third-party payors	<u>1,193,068</u>	<u>1,737,762</u>
Total current liabilities	41,483,869	39,290,565
Accrued retirement benefits	22,745,262	24,904,074
Other liabilities	5,017,362	4,376,590
Long-term debt, net of current portion	<u>286,310</u>	<u>707,596</u>
Total liabilities	69,532,803	69,278,825
Net assets:		
Without donor restrictions	87,346,333	98,575,719
With donor restrictions	<u>1,149,523</u>	<u>723,425</u>
Total net assets	<u>88,495,856</u>	<u>99,299,144</u>
Total liabilities and net assets	<u>\$ 158,028,659</u>	<u>\$ 168,577,969</u>

The accompanying notes are an integral part of these statements.

Cape Regional Medical Center, Inc.

**STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**

Year ended December 31,

	<u>2018</u>	<u>2017</u>
<b>Net assets without donor restrictions</b>		
Revenue:		
Net patient service revenue	\$ 126,240,871	\$ 129,001,137
Less: provision for bad debts	<u>(4,946,940)</u>	<u>(4,648,892)</u>
Net patient service revenue, net of provision for bad debts	121,293,931	124,352,245
Other revenue	1,926,757	1,448,257
Net assets released from restrictions for operations	<u>398,807</u>	<u>155,238</u>
 Total revenue	 <u>123,619,495</u>	 <u>125,955,740</u>
Expenses:		
Salaries and wages	54,841,645	55,008,182
Employee benefits	16,545,990	17,079,865
Supplies and other expenses	27,069,314	25,956,781
Contracted services	19,193,537	19,658,146
Depreciation and amortization	7,387,415	7,760,901
Interest	<u>953,824</u>	<u>702,527</u>
 Total expenses	 <u>125,991,725</u>	 <u>126,166,402</u>
 Operating loss	 <u>(2,372,230)</u>	 <u>(210,662)</u>
Nonoperating (losses) gains:		
Investment returns	(2,542,889)	12,360,887
Other	<u>(19,503)</u>	<u>43,368</u>
 Total nonoperating (losses) gains	 <u>(2,562,392)</u>	 <u>12,404,255</u>
 (Deficiency in) excess of revenue and gains over expenses and losses	 <u>(4,934,622)</u>	 <u>12,193,593</u>

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## STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - CONTINUED

Year ended December 31,

	<u>2018</u>	<u>2017</u>
<b>Net assets without donor restrictions - Continued</b>		
(Deficiency in) excess of revenue and gains over expenses and losses <i>(from previous page)</i>	\$ (4,934,622)	\$ 12,193,593
Other changes in net assets without donor restrictions:		
Net assets released from restrictions for purchase of property and equipment	444,508	560,110
Other changes in pension benefit obligation	(614,272)	1,338,230
Transfer to Cape Regional Health System, Inc.	<u>(6,125,000)</u>	<u>(5,986,000)</u>
 (Decrease) increase in net assets without donor restrictions	 <u>(11,229,386)</u>	 <u>8,105,933</u>
<b>Net assets with donor restrictions</b>		
Contributions	1,315,332	937,527
Investment returns	(45,919)	(19,260)
Net assets released from restrictions for operations	(398,807)	(155,238)
Net assets released from restrictions for purchase of property and equipment	<u>(444,508)</u>	<u>(560,110)</u>
 Increase in net assets with donor restrictions	 <u>426,098</u>	 <u>202,919</u>
 (Decrease) increase in net assets	 <u>(10,803,288)</u>	 8,308,852
 Net assets at beginning of year	 <u>99,299,144</u>	 <u>90,990,292</u>
 Net assets at end of year	 <u>\$ 88,495,856</u>	 <u>\$ 99,299,144</u>

The accompanying notes are an integral part of these statements.

## Cape Regional Medical Center, Inc.

## STATEMENTS OF CASH FLOWS

Year ended December 31,

	<u>2018</u>	<u>2017</u>
<b>Operating activities</b>		
(Decrease) increase in net assets	\$ (10,803,288)	\$ 8,308,852
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Other changes in pension benefit obligation	614,272	(1,338,230)
Depreciation and amortization	7,387,415	7,760,901
Provision for bad debts	4,946,940	4,648,892
Equity loss in unconsolidated joint venture	84,513	69,629
Net realized and unrealized losses (gains) on investments	5,337,199	(9,939,157)
Transfer to Cape Regional Health System, Inc.	6,125,000	5,986,000
Restricted contributions	(1,315,332)	(937,527)
Changes in operating assets and liabilities:		
Patient accounts receivable	(3,659,081)	(6,962,583)
Supplies	(169,186)	(155,874)
Due from affiliates	(320,735)	455,298
Prepaid expenses and other assets	(446,170)	(1,899,717)
Accounts payable	127,107	1,151,757
Accrued expenses and other liabilities	150,298	1,182,797
Accrued employee personal days	108,151	86,341
Estimated settlements due to third-party payors, net	(544,694)	(1,414,205)
Accrued retirement benefits	(2,773,084)	(2,600,956)
Net cash provided by operating activities before trading securities	4,849,325	4,402,218
Assets limited as to use - trading securities	2,697,427	(219,933)
Net cash provided by operating activities	7,546,752	4,182,285
<b>Investing activities</b>		
Additions to property and equipment, net	(4,721,507)	(4,481,270)
Net cash used in investing activities	(4,721,507)	(4,481,270)
<b>Financing activities</b>		
Due from affiliates	(3,185,581)	168,281
Proceeds from restricted contributions	1,315,332	937,527
Transfer to Cape Regional Health System, Inc.	(6,125,000)	(5,986,000)
Net proceeds from long-term debt	2,571,928	4,161,393
Net cash used in financing activities	(5,423,321)	(718,799)
Decrease in cash and cash equivalents	(2,598,076)	(1,017,784)
Cash and cash equivalents at beginning of year	3,911,067	4,928,851
Cash and cash equivalents at end of year	\$ 1,312,991	\$ 3,911,067
<b>Supplementary cash flow information</b>		
Assets required under capital lease obligations	\$ -	\$ 1,359,598

The accompanying notes are an integral part of these statements.



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

NOTE A - ORGANIZATION

Cape Regional Medical Center, Inc. (the “Medical Center”) is a 242-bed acute care medical center located in Cape May Court House, New Jersey. The Medical Center is a not-for-profit corporation exempt from federal and state income taxes. The Medical Center owns a 50% interest in Cape Regional Home Healthcare managed by Bayada, a not-for-profit entity that provides home care and hospice services.

Cape Regional Health System, Inc. (the “System”), a not-for-profit corporation, is the sole corporate member of the Medical Center and Cape Regional Holdings, LLC (“CRH”), a not-for-profit corporation. CRH maintains and operates certain health care related real estate that it rents. The System is the sole shareholder of Cape Regional Health Enterprises, Inc. (“CRHE”), a for-profit entity. An employed physician is the sole shareholder of Cape Regional Physicians Associates, P.A. (“CRPA”), a for-profit multi-specialty medical group. CRPA owns a 50% interest in Cape Regional Urgent Care, LLC, a for-profit entity providing non-emergency medical care.

CRHE provides billing services to private physicians, and as the owner of Cape Cardiology Associates, Inc. (“CCA”) provides EKG interpretation services. CRHE owns a 50% interest in Cape Radiology, LLC, an outpatient radiology center. CRHE owns a 66% interest in Cape Regional Physical Therapy Management Services, LLC (“CRPTMSO”), which provides management services for the operation of physical therapy practices in Cape May County. CRHE owns a 50% interest in Cape Regional Sleep Services, LLC (“CRSS”), which provides management and clinical services for the performance of sleep studies. CRHE owns 80% of Cape Regional Miracles Fitness (“CRMF”), which provides health, wellness and fitness programs to Cape May County residence. CRHE also manages health care rental real estate.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingencies at the date of and during the reporting period of the financial statements. The most significant management estimates and assumptions related to the determination of allowance for doubtful accounts and contractual allowances for patient accounts receivable, settlements with third-party payors, useful lives of property and equipment, actuarial estimates for the postretirement benefit plan, self-insured reserves and the reported fair values of certain assets and liabilities. Actual results could differ from those estimates.

2. Fair Value of Financial Instruments

Financial instruments consist of cash equivalents, patient accounts receivable, investments and assets limited as to use, accounts payable, accrued expenses and long-term debt, excluding capital leases. The carrying amounts reported in the balance sheets for these items approximate fair value.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Cash and Cash Equivalents

Cash and cash equivalents include various checking and savings accounts with maturities of three months or less and are reported in the financial statements at their fair value.

4. Allowance for Doubtful Accounts

The Medical Center provides an allowance for estimated losses resulting from uncollectible accounts. The allowance is determined by analyzing historical data and trends. Accounts receivable are charged off against the reserve for doubtful accounts when management determines that recovery is unlikely and the Medical Center ceases collection efforts and releases the accounts to collection agencies.

In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid). For receivables associated with self-pay patients, the Medical Center records a significant provision for bad debts on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the billed rates and the amounts actually collected after all reasonable internal collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

5. Supplies

Supplies are recorded at the lower of cost (determined by the first-in, first-out method) or market.

6. Assets Limited as to Use, Investments and Investment Income

Assets limited as to use by the Board of Trustees are resources arising from results of operations that are designated by the Board of Trustees for specific purposes. Certain investments are collateralizing a revolving line of credit (Note H). All investments have been designated as a trading portfolio. Amounts required to meet current liabilities of the Medical Center have been classified as current assets in the balance sheets.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value at the balance sheet date. Interest and dividend income, realized gains and losses, and the change in net unrealized gains and losses on trading securities are recorded as nonoperating gains. Realized gains and losses for all investments are calculated by the first-in, first-out method. Investment returns is net of investment fees of \$423,824 and \$448,464 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Property and Equipment

Property and equipment are recorded at cost. Donated assets are recorded at their fair value at the date of donation. Equipment under capitalized lease obligations are amortized using the straight-line method over the estimated useful life of the leased equipment. Such amortization is included in depreciation and amortization expense in the statements of operations and changes in net assets. Depreciation and amortization have been provided by the straight-line method based on the following estimated useful lives:

Land improvements	5 - 25 years
Building and building improvements	10 - 40 years
Fixed equipment	5 - 20 years
Major movable equipment	3 - 20 years

Gifts of long-lived assets such as land, buildings and equipment are reported as other changes in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. When applicable, gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

8. Other Assets

Other assets include amounts due from insurance recoveries related to medical malpractice claims (Note K) and an investment in a joint venture, which is accounted for under the equity method based on the ownership portion. Net equity gains and losses in the unconsolidated joint venture is recorded in the statements of operations and changes in net assets as nonoperating (losses) gains.

9. Medical Malpractice Claims

The Medical Center maintains claims-made malpractice insurance coverage and has estimated a range of losses for liabilities relating to asserted and unasserted malpractice claims. This estimate for reported claims based on known facts of each case and unreported incidents and losses is based on the Medical Center's and industry experience data. Estimated losses are recorded as other liabilities and related insurance recoveries are recorded as other assets in the balance sheets.

10. Net Patient Service Revenue

The Medical Center has agreements with third-party payors, including commercial insurance carriers and health maintenance organizations that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem and case rate payments. Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payors for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Advertising Costs

The Medical Center expenses advertising costs as incurred. For the years ended December 31, 2018 and 2017, the Medical Center incurred advertising costs of \$353,247 and \$521,494, respectively, which are included in supplies and other expenses in the accompanying statements of operations and changes in net assets.

12. (Deficiency in) Excess of Revenue and Gains over Expenses and Losses

The statements of operations and changes in net assets include the (deficiency in) excess of revenue and gains over expenses and losses that represents all unrestricted revenue, expenses, gains and losses for the reporting period. Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Other transactions are reported as nonoperating gains. Changes in net assets without donor restrictions, which are excluded from the (deficiency in) excess of revenue and gains over expenses and losses, include net assets released from restrictions for the purchase of property and equipment, other changes in pension benefit obligation, and transfers to the System.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Medical Center has been limited by donors for a purpose, such as for future capital purchases or various department activities (\$1,091,523 and \$665,425 at December 31, 2018 and 2017, respectively) and in perpetuity, with the income used in accordance with donor intentions (\$58,000 at December 31, 2018 and 2017).

14. Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as a component of total revenue for operating purposes and as other changes in net assets without donor restrictions for acquisitions of property and equipment.

15. Income Taxes

The Medical Center is a not-for-profit corporation and is exempt from federal and state income taxes under existing provisions of the Internal Revenue Code and the laws of the State of New Jersey.

The Medical Center follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Medical Center does not believe its financial statements include any material uncertain tax positions.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. Fair Value Measurements

The Medical Center measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures.

The fair value hierarchy is broken down into three levels based on the source of inputs as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Valuations based on observable inputs and quoted prices in active markets for similar assets and liabilities.
- Level 3 Valuations based on inputs that are unobservable and models that are significant to the overall fair value measurement.

The following fair value hierarchy tables present information about each major category of the Medical Center's financial assets measured at fair value, using the market approach, on a recurring basis:

<u>December 31, 2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government securities	\$ 3,364,960	\$ -	\$ 3,364,960	\$ -
Mutual funds	25,578,368	21,031,799	4,546,569	-
Equity securities	30,759,888	30,759,888	-	-
Fixed income securities	<u>23,341,488</u>	<u>-</u>	<u>23,341,488</u>	<u>-</u>
Total	<u>\$ 83,044,704</u>	<u>\$ 51,791,687</u>	<u>\$ 31,253,017</u>	<u>\$ -</u>
<u>December 31, 2017</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government securities	\$ 3,103,742	\$ -	\$ 3,103,742	\$ -
Mutual funds	30,313,614	25,544,514	4,769,100	-
Equity securities	37,693,419	37,693,419	-	-
Fixed income securities	<u>22,675,476</u>	<u>-</u>	<u>22,675,476</u>	<u>-</u>
Total	<u>\$ 93,786,251</u>	<u>\$ 63,237,933</u>	<u>\$ 30,548,318</u>	<u>\$ -</u>

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

17. Recently Adopted Accounting Pronouncement

*Not-For-Profit Financial Reporting*

In 2018, the Medical Center adopted, as required by the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). This standard makes certain improvements to the previous reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the previously required three classes, as well as the annual change in each of the two classes; (2) information about liquidity and the availability of resources, and (3) addresses the lack of consistency about expenses and investment return. The Medical Center’s financial statements have been adjusted to reflect the new requirements. ASU 2016-14 has been applied retrospectively to all years presented, except for the disclosure around liquidity and availability of resources and, as such, this disclosure has been presented for 2018 only as allowed by ASU 2016-14.

18. Pending Accounting Pronouncements

*Presentation of Net Periodic Pension Cost*

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This standard intends to make changes to employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will present the service cost component of net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Employers will present the other components of the net periodic benefit cost separately from the line item(s) that include(s) the service cost and outside of any subtotal of operating income, if one is presented. The new standard is effective for annual financial statements after December 15, 2018.

*Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU 2014-09 is effective for the Medical Center for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. Early application is not permitted. An entity will apply the amendments in this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening balance sheet of retained earnings at the date of initial application. Revenue in periods presented before that date will continue to be reported under guidance in effect before the change.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years beginning after December 31, 2019. Early application is permitted. An entity is required to apply the amendments in ASU 2016-02 under the modified retrospective transition approach. This approach includes a number of optional practice expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current U.S. GAAP, unless the lease is modified. However, lessees are required to recognize, on the balance sheet, leased assets and liabilities for operating leases at each reporting date.

The Medical Center has not determined the impact of ASU 2017-07, 2014-09 or 2016-02, at this time.

NOTE C - LIQUIDITY AND AVAILABILITY

As of December 31, 2018, the Medical Center has an adjusted working capital of \$68,617,534 and average days cash on hand of 271 days, which includes the internally designated assets limited as to use.

Financial assets available for general expenditure within one year of the balance sheet date consist of the following at December 31, 2018:

Cash	\$ 1,312,991
Patient accounts receivable, net	13,969,374
Due from affiliates	1,445,477
Assets limited as to use, internally designated by Board of Trustees	<u>61,161,996</u>
Total	<u>\$ 77,889,838</u>

Assets limited as to use excludes those amounts held as collateral on the revolving line of credit (Note H).

Excess cash is invested in accordance with the Board of Trustees' investment policy and there are no investments with purchase commitments at December 31, 2018.

In addition to its liquid resources and cash provided by operating activities, the Medical Center has \$6,495,172 available on the line of credit (Note H) for future operating needs.

NOTE D - UNCOMPENSATED CARE

The Medical Center provides charity care to patients who meet certain financial criteria established by the State of New Jersey. The direct and indirect cost of services and supplies furnished to patients eligible for such charity care, using a ratio of cost to gross charges, approximated \$1,328,000 and \$1,623,000 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

NOTE D - UNCOMPENSATED CARE - Continued

Gross charges forgone related to charity care services amounted to approximately \$8,509,000 and \$9,960,000 for the years ended December 31, 2018 and 2017, respectively.

The Medical Center's patient acceptance policy is based on its mission statement and its charitable purposes. Accordingly, the Medical Center accepts all patients regardless of their ability to pay. This policy results in the assumption of higher-than-normal patient accounts receivable credit risks. To the extent the Medical Center realizes additional losses resulting from such higher credit risk for patients that are not identified or do not meet the previously described charity definition, such additional losses are included in the provision for bad debts.

Additionally, the Medical Center sponsors certain other charitable programs, which provide substantial benefit to the broader community. Such programs include services to needy and elderly populations that require special support, as well as health promotion and education for the general community welfare.

The Health Care Reform Act of 1992, Chapter 160, established the Health Care Subsidy Fund to provide a mechanism and funding source to compensate hospitals for charity care. The Medical Center received approximately \$106,000 and \$206,000 for charity care, which is included in net patient service revenue for the years ended December 31, 2018 and 2017, respectively. The Health Care Subsidy Fund amounts are subject to change from year to year based on available state budget amounts and allocation methodologies.

NOTE E - NET PATIENT SERVICE REVENUE

Inpatient acute care services for Medicare and Medicaid program beneficiaries and outpatient services for Medicare beneficiaries are paid at prospectively determined rates per discharge or outpatient service. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Outpatient services for Medicaid beneficiaries are paid based on a cost reimbursement methodology, subject to certain limitations.

The Medical Center is reimbursed for costs reimbursable and other items at a tentative rate, with final settlements determined after submission of annual cost reports by the Medical Center and audits thereof by the programs' fiscal intermediaries. Provisions for estimated adjustments resulting from audit and final settlements have been recorded. The Medical Center's cost reports have not been audited by the fiscal intermediaries for the years ended December 31, 2018, 2017 and 2016. In the opinion of management, adequate provision has been made for any adjustment which may result from the final settlement of cost reports or appeal items that have not reached final settlement. Differences between the estimated adjustments and the amounts settled are recorded in the year of settlement. Appeal issues are recorded when realization is reasonably assured. Net patient service revenue includes net favorable settlements and other changes in allowance of approximately \$3,900,000 for the year ended December 31, 2017.

The Medical Center has also entered into a payment agreement with Horizon Blue Cross. The basis for payment to the Medical Center under this agreement includes prospectively determined daily rates for inpatient services, and discounts from established charges for outpatient services.

(Continued)



**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

## NOTE E - NET PATIENT SERVICE REVENUE - Continued

Net revenue from the Medicare, Medicaid, and Horizon Blue Cross programs accounted for approximately 50%, 13% and 19%, respectively, for the year ended December 31, 2018 and 49%, 13% and 20%, respectively, for the year ended December 31, 2017 of the Medical Center's net patient service revenue. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory actions including fines, penalties and exclusion from the Medicare and Medicaid programs.

Patient service revenue for the years ended December 31, 2018 and 2017, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources based on primary insurance designation, is as follows:

	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
<b><u>2018 and 2017</u></b>			
Patient service revenue (net of contractual allowances and discounts)	<u>99%</u>	<u>1%</u>	<u>100%</u>

Deductibles and copayments under third-party payment programs within the third-party payors amount above are patients' responsibility, and the Medical Center considers these amounts in its determination of the provision for bad debts based on collection experience.

## NOTE F - INVESTMENTS

	<b>December 31,</b>	
	<u>2018</u>	<u>2017</u>
Internally designated by Board of Trustees:		
Cash and cash equivalents	\$ 3,590,318	\$ 882,005
Government securities	3,364,960	3,103,742
Mutual funds	25,578,368	30,313,614
Equity securities	30,759,888	37,693,419
Fixed income securities	23,341,488	22,675,476
Accrued interest receivable	<u>181,325</u>	<u>182,717</u>
	86,816,347	94,850,973
Less amounts required for current liabilities	<u>(24,504,828)</u>	<u>(21,500,000)</u>
	<u>\$ 62,311,519</u>	<u>\$ 73,350,973</u>

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

## NOTE F - INVESTMENTS - Continued

Investment returns, including net realized and unrealized gains and losses on investments and cash and cash equivalents, are comprised of the following:

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Other revenue:		
Interest income	<u>\$ 17,586</u>	<u>\$ 20,592</u>
Nonoperating (losses) gains:		
Interest and dividend income	\$ 2,794,310	\$ 2,421,730
Net realized gains on sale of investments	4,332,517	2,509,670
Change in unrealized gains and losses on trading securities	<u>(9,669,716)</u>	<u>7,429,487</u>
	<u>\$ (2,542,889)</u>	<u>\$ 12,360,887</u>

## NOTE G - PROPERTY AND EQUIPMENT

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
Land	\$ 475,499	\$ 475,499
Land improvements	2,219,882	2,219,882
Buildings and building improvements	66,680,502	66,411,184
Fixed equipment	29,626,096	29,627,030
Major movable equipment	<u>93,212,827</u>	<u>89,443,203</u>
	192,214,806	188,176,798
Less accumulated depreciation and amortization	<u>(153,933,699)</u>	<u>(146,596,271)</u>
	38,281,107	41,580,527
Construction in progress	<u>1,117,329</u>	<u>483,817</u>
	<u>\$ 39,398,436</u>	<u>\$ 42,064,344</u>

Depreciation and amortization expense related to property and equipment amounted to \$7,387,415 and \$7,760,901 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

## NOTE G - PROPERTY AND EQUIPMENT - Continued

Certain equipment is held under capital leases and are included in the equipment category of property and equipment as follows:

	<b>December 31,</b>	
	<u>2018</u>	<u>2017</u>
Equipment	\$ 1,358,106	\$ 1,626,500
Less accumulated amortization	<u>(658,930)</u>	<u>(375,412)</u>
	<u>\$ 699,176</u>	<u>\$ 1,251,088</u>

## NOTE H - LONG-TERM DEBT

	<b>December 31,</b>	
	<u>2018</u>	<u>2017</u>
Revolving line of credit	\$ 24,504,828	\$ 21,500,000
Obligations under capital leases, with interest rates ranging from 3.50% to 3.61% secured by leased equipment	<u>702,612</u>	<u>1,135,512</u>
	<u>25,207,440</u>	<u>22,635,512</u>
Less current portion	<u>(24,921,130)</u>	<u>(21,927,916)</u>
	<u>\$ 286,310</u>	<u>\$ 707,596</u>

Revolving Line of Credit

The Medical Center has a \$31,000,000 revolving line of credit with a financial institution, which has no expiration. All amounts outstanding are due on demand and are collateralized by a portion of assets limited as to use, which are held by the same financial institution. The fair value of the collateralized amounts totaled \$24,504,828 and \$21,500,000 at December 31, 2018 and 2017, respectively. The borrowings on the revolving line of credit are currently broken down into tranches, which management has the ability to restructure with the financial institution.

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

## NOTE H - LONG-TERM DEBT - Continued

There are fixed rate tranches that have an agreed-upon due date with a prepayment penalty as defined in the agreement. The variable rate tranche's interest is based on LIBOR plus 1.000% (2.600% at December 31, 2017). A summary of the tranches is as follows:

<b>Amounts outstanding</b>		<b>Interest rate</b>	<b>Interest rate</b>	<b>Principal due date</b>
<b>December 31,</b>				
<b>2018</b>	<b>2017</b>	<b>type</b>		
\$ -	\$ 2,000,000	Fixed	3.066%	June 25, 2018
<b>2,500,000</b>	2,500,000	Fixed	3.312%	March 27, 2019
<b>2,500,000</b>	2,500,000	Fixed	3.545%	March 27, 2020
<b>3,600,000</b>	3,600,000	Fixed	3.987%	February 26, 2021
<b>2,900,000</b>	2,900,000	Fixed	3.898%	March 28, 2022
<b>2,000,000</b>	2,000,000	Fixed	3.442%	June 27, 2023
<b>2,000,000</b>	2,000,000	Fixed	3.559%	June 27, 2024
<b>2,254,828</b>	-	Fixed	4.389%	April 16, 2025
<b>2,250,000</b>	-	Fixed	4.450%	April 16, 2026
<b>2,250,000</b>	-	Fixed	4.512%	April 16, 2027
<b>2,250,000</b>	-	Fixed	4.574%	April 17, 2028
<b>24,504,828</b>	17,500,000			
<b>-</b>	<b>4,000,000</b>	Variable	See above	N/A
<b>\$ 24,504,828</b>	<b>\$ 21,500,000</b>			

Future payments on long-term debt are as follows:

	<b>Revolving</b>	<b>Capital</b>
	<b>Line</b>	<b>Leases</b>
	<b>of Credit</b>	
2019	\$ 24,504,828	\$ 405,162
2020	-	163,533
2021	-	115,208
2022	-	47,301
	<b>\$ 24,504,828</b>	731,204
Less amounts representing interest on capital leases		<u>(28,592)</u>
		<b>\$ 702,612</b>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

## NOTE I - POSTRETIREMENT BENEFIT PLANS

The Medical Center has a noncontributory defined benefit pension plan (“DB Plan”) covering all employees who began working with the Medical Center prior to January 1, 2008 and who met prescribed eligibility requirements. The DB Plan uses a December 31<sup>st</sup> measurement date. The DB Plan was frozen effective March 31, 2014. The mortality table used for projecting the benefit obligation is the RP-2014 Generational Mortality Table with annual updates for projected improvements.

The following table summarizes information about the pension plan:

	<b>December 31,</b>	
	<u>2018</u>	<u>2017</u>
<b>Accumulated benefit obligation</b>	<b>\$ <u>78,265,182</u></b>	<b>\$ <u>85,137,138</u></b>
<b>Changes in benefit obligation</b>		
Projected benefit obligation, beginning of year	\$ 85,137,138	\$ 82,291,282
Interest cost	3,138,864	3,426,734
Actuarial (gain) loss	(6,864,238)	2,403,557
Benefits paid	<u>(3,146,582)</u>	<u>(2,984,435)</u>
Projected benefit obligation, end of year	<u>78,265,182</u>	<u>85,137,138</u>
<b>Changes in plan assets</b>		
Fair value of plan assets, beginning of year	60,233,064	53,448,022
Actual return on plan assets	(3,088,793)	7,665,799
Contributions by the Medical Center	2,265,809	2,853,844
Benefits and expenses paid	<u>(3,890,160)</u>	<u>(3,734,601)</u>
Fair value of plan assets, end of year	<u>55,519,920</u>	<u>60,233,064</u>
Funded status of the plan - accrued retirement benefits	<b>\$ <u>(22,745,262)</u></b>	<b>\$ <u>(24,904,074)</u></b>
<b>Amounts recognized in accumulated net assets without donor restrictions</b>		
Net loss	<b>\$ <u>31,756,799</u></b>	<b>\$ <u>31,142,527</u></b>

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

## NOTE I - POSTRETIREMENT BENEFIT PLANS - Continued

	Year ended December 31,	
	<u>2018</u>	<u>2017</u>
<b>Components of net periodic benefit (credit) cost and other amounts recognized in other changes in net assets without donor restrictions</b>		
Interest cost	\$ 3,138,864	\$ 3,426,734
Expected return on plan assets	(4,501,879)	(4,010,236)
Amortization of net loss	<u>855,740</u>	<u>836,390</u>
Net pension benefit (credit) cost	<u>(507,275)</u>	<u>252,888</u>
<b>Other changes in pension benefit obligation recognized in net assets without donor restrictions</b>		
Net loss (gain)	1,470,012	(501,840)
Recognized loss	<u>(855,740)</u>	<u>(836,390)</u>
Total recognized in net assets without donor restrictions	<u>614,272</u>	<u>(1,338,230)</u>
Total recognized in net benefit (credit) cost and net assets without donor restrictions	<u>\$ 106,997</u>	<u>\$ (1,085,342)</u>
<b>Amounts expected to be recognized in net periodic benefit cost in the following year - 2019</b>		
Net loss		<u>\$ 926,094</u>

Assumptions

	December 31,	
	<u>2018</u>	<u>2017</u>
Weighted-average assumptions used to determine benefit obligations at:		
Discount rate	4.39%	3.73%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for the period and years ended:		
Discount rate	3.73%	4.23%
Expected long-term return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

(Continued)

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

NOTE I - POSTRETIREMENT BENEFIT PLANS - Continued

To develop the expected long-term rate of return on assets assumption, the Medical Center considered the historical returns and the future expectations for returns for each asset class, as well as the target allocation of the pension portfolio.

Investment Policy

The investment policy and strategy for the DB Plan assets has established guidelines for an asset mix that provides long-term capital appreciation, with a secondary objective of moderate income generation. The guidelines attempt to reduce volatility by allocating assets in varying amounts among equities, fixed income, and other alternative fund products. Asset allocations that exceed targeted balances are re-allocated throughout the year for market changes.

Plan Assets

The DB Plan's actual weighted-average asset allocations and target asset allocations, by asset category, are as follows:

<u>Asset Category</u>	<u>Target Allocation</u>	<u>December 31,</u>	
		<u>2018</u>	<u>2017</u>
Fixed income	30-50%	36%	35%
Equity securities	40-60%	45	48
Alternative investments: private equity funds	10-20%	<u>19</u>	<u>17</u>
		<u>100%</u>	<u>100%</u>

(Continued)

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

## NOTE I - POSTRETIREMENT BENEFIT PLANS - Continued

Fair Value of the Plan Assets

The following fair value hierarchy table presents information about each major category of the DB Plan's financial assets measured at fair value:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b><u>December 31, 2018</u></b>				
<u>Assets</u>				
Fixed income <sup>(a)</sup>	\$ 19,950,743	\$ -	\$ 19,950,743	\$ -
Equity securities <sup>(b)</sup>	<u>24,790,806</u>	<u>24,790,806</u>	<u>-</u>	<u>-</u>
	44,741,549	\$ <u>24,790,806</u>	\$ <u>19,950,743</u>	\$ <u>-</u>
Alternative investments:				
private equity funds (at NAV) <sup>(c)</sup>	<u>10,778,371</u>			
Total	<u>\$ 55,519,920</u>			
<b><u>December 31, 2017</u></b>				
<u>Assets</u>				
Fixed income <sup>(a)</sup>	\$ 21,448,111	\$ -	\$ 21,448,111	\$ -
Equity securities <sup>(b)</sup>	<u>28,766,136</u>	<u>28,766,136</u>	<u>-</u>	<u>-</u>
	50,214,247	\$ <u>28,766,136</u>	\$ <u>21,448,111</u>	\$ <u>-</u>
Alternative investments:				
private equity funds (at NAV) <sup>(c)</sup>	<u>10,018,817</u>			
Total	<u>\$ 60,233,064</u>			

<sup>(a)</sup> Comprised of investment grade bonds of U.S. issuers from various industries.

<sup>(b)</sup> Comprised of mutual funds investing in at least 90% of assets in common stock of companies with large market capitalizations similar to companies in the Standard & Poor's ("S&P") 500 Index.

<sup>(c)</sup> Alternative investments: private equity funds are comprised of an opportunity investment, made up of various strategy funds, including relative value investments, discretionary global macro-funds, managed futures, structured products and direct lending; and a core property real estate investment fund.

The fair value of investments is measured using the market value approach for all investments except for alternative investments. Fair value of the alternative investments is determined based upon the net asset value of the fund per share provided by the fund manager. The fair value of the underlying securities and other financial information of the alternative investment may involve estimates that require a degree of judgment. For underlying securities which are not actively traded, a bid price is obtained from at least one independent dealer.

(Continued)



**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

## NOTE I - POSTRETIREMENT BENEFIT PLANS - Continued

Cash Flows*Contributions*

The expected contributions to the DB Plan in 2019 are \$1,500,000.

*Estimated Future Benefit Payments*

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

2019	\$ 3,360,828
2020	3,510,826
2021	3,669,605
2022	3,850,028
2023	4,409,535
2024 - 2028	22,944,288

Defined Contribution Plan

The Medical Center has a defined contribution pension plan (the "DC Plan"). Employees hired in 2008 and forward are eligible to participate in the DC Plan based upon established criteria outlined in the plan document. Expense related to the DC Plan was \$2,024,448 and \$1,888,618 for the years ended December 31, 2018 and 2017, respectively.

## NOTE J - RELATED PARTY TRANSACTIONS

The following table summarizes the Medical Center's notes receivable and advances to CRHE, all of which are collateralized by certain property owned by the related party:

	<b>December 31,</b>	
	<u>2018</u>	<u>2017</u>
\$1,400,000 note, principal and interest due monthly over 25 years through 2027, interest at 4.00%	<b>\$ 705,129</b>	\$ 770,389
\$1,270,500 note, with no specific principal repayment terms, interest due monthly at 3.30%	<b>276,346</b>	347,530
\$743,252 note, principal and interest due monthly over 10 years through 2026, interest at 2.50%	<b>743,252</b>	743,252
\$1,019,000 note, principal and interest due monthly over 25 years through 2037, interest at 3.50%	<b>822,074</b>	853,911
Unstructured advances	<b><u>3,360,038</u></b>	<u>-</u>
	<b>5,906,839</b>	2,715,082
Less current portion	<b><u>(174,457)</u></b>	<u>(168,281)</u>
	<b><u>\$ 5,732,382</u></b>	<b><u>\$ 2,546,801</u></b>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

## NOTE K - COMMITMENTS AND CONTINGENCIES

Litigation and Medical Malpractice Claims

The Medical Center is a defendant in civil actions for alleged medical malpractice. The Medical Center's medical malpractice insurance carrier is defending these actions. In the opinion of the Medical Center, its potential liability in these actions is within the limits of the medical malpractice liability and comprehensive general liability insurance. The Medical Center has recorded an undiscounted liability for estimated losses from known medical malpractice claims as well as incurred but not reported claims. The liability is estimated to be \$4,330,000 and \$3,500,000 at December 31, 2018 and 2017, respectively, and is included in accrued expenses and other liabilities in the balance sheets. Insurance recoveries associated with the reported claims totaled approximately \$3,200,000 and \$2,660,000 for the years ended December 31, 2018 and 2017, respectively, and are included in other assets in the balance sheets.

Workers' Compensation Insurance

The Medical Center has a self-insured workers' compensation program subject to a self-insured retention of \$500,000 per claim for both years ended December 31, 2018 and 2017. Claims exceeding the self-insured retention are covered under an excess insurance policy. The liability for workers' compensation claims of \$1,160,000 and \$1,200,000 at December 31, 2018 and 2017, respectively, is included in accrued expenses and other liabilities in the balance sheets.

## NOTE L - CONCENTRATIONS OF CREDIT RISK

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors was as follows:

	<b>December 31,</b>	
	<u><b>2018</b></u>	<u><b>2017</b></u>
Medicare and Medicaid	<b>34%</b>	31%
Commercial and other third-party payors	<b>23</b>	26
Patients	<b>34</b>	36
Blue Cross	<u><b>9</b></u>	<u>7</u>
	<u><b>100%</b></u>	<u>100%</u>

The Medical Center invests a portion of its operating and Board-designated cash and cash equivalents in various checking, savings and certificates of deposit accounts with several commercial banks. Certain deposits with these banks exceeded limits established by the Federal Deposit Insurance Corporation. The Medical Center also invests its cash and cash equivalents in money market mutual funds. These funds generally invest in highly-liquid U.S. government and agency obligations. Investments in mutual funds are not insured or guaranteed by the U.S. government; however, management believes that credit risk related to these deposits and investments is minimal.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018 and 2017

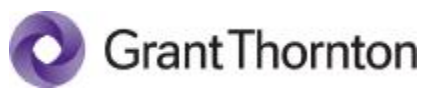
## NOTE M - FUNCTIONAL EXPENSES

The Medical Center provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, are as follows:

<b><u>2018</u></b>	<b><u>Healthcare Services</u></b>	<b><u>General and Administrative</u></b>	<b><u>Total</u></b>
Salaries and wages	\$ 40,505,407	\$ 14,336,238	\$ 54,841,645
Employee benefits	12,220,678	4,325,312	16,545,990
Supplies and other expenses	20,377,443	6,691,871	27,069,314
Contracted services	8,596,002	10,597,535	19,193,537
Depreciation and amortization	3,799,470	3,587,945	7,387,415
Interest	<u>-</u>	<u>953,824</u>	<u>953,824</u>
Total	<u>\$ 85,499,000</u>	<u>\$ 40,492,725</u>	<u>\$ 125,991,725</u>
<b><u>2017</u></b>	<b><u>Healthcare Services</u></b>	<b><u>General and Administrative</u></b>	<b><u>Total</u></b>
Salaries and wages	\$ 40,714,130	\$ 14,294,052	\$ 55,008,182
Employee benefits	12,641,607	4,438,258	17,079,865
Supplies and other expenses	20,036,347	5,920,434	25,956,781
Contracted services	8,523,638	11,134,508	19,658,146
Depreciation and amortization	3,805,336	3,955,565	7,760,901
Interest	<u>-</u>	<u>702,527</u>	<u>702,527</u>
Total	<u>\$ 85,721,058</u>	<u>\$ 40,445,344</u>	<u>\$ 126,166,402</u>

## NOTE N - SUBSEQUENT EVENTS

The Medical Center evaluated its December 31, 2018 financial statements for subsequent events through March 14, 2019, the date the financial statements were available to be issued. The Medical Center is not aware of any subsequent events, which would require recognition or disclosure in the financial statements.



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