Care Plus Bergen, Inc.

Financial Statements
Year Ended December 31, 2018

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Contents

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Independent Auditor's Report

The Board of Directors
Care Plus Bergen, Inc.
Paramus, New Jersey

We have audited the accompanying financial statements of Care Plus Bergen, Inc. (the Organization), which comprised the statement of financial position as of December 31, 2018, and the related statements of operations and cash flows for the year 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 audit. We conducted our audit 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Care Plus Bergen, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements as of and for the year ended December 31, 2017, and our report, dated October 23, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

June 28, 2019

Care Plus Bergen, Inc.

Statement of Financial Position
(with comparative totals for 2017)

December 31,		**2018**		2017
Assets				
Current				
Cash and cash equivalents	$	**1,690,449**	$	5,067,031
Patient escrow funds		**494,735**		466,174
Patient accounts receivable, less estimated allowance for uncollectible accounts of $38,992,095 in 2018 and $16,333,572 in 2017		**34,814,827**		16,855,251
Long-term care pharmacy receivable, less estimated allowance for uncollectible accounts of $317,033 in 2018 and $314,846 in 2017		**359,529**		357,043
Due from third-party payors		**11,856,361**		3,295,909
Due from Bergen County Improvement Authority and other receivables		**2,004,241**		9,844,543
Inventories		**1,910,540**		1,954,004
Prepaid expenses and deposits		**2,893,235**		2,305,762
Total Current Assets		**56,023,917**		40,145,717
Fixed Assets, Net		**43,542**		-
Other Assets		**-**		209,369
Total Assets	$	**56,067,459**	$	40,355,086
Liabilities and Net Asset Deficit				
Current Liabilities				
Due to Bergen County Improvement Authority	$	**4,817,642**	$	519,316
Accounts payable and accrued expenses		**13,517,791**		6,237,626
Accrued salaries, benefits and other payroll liabilities		**8,481,003**		11,659,686
Deferred revenue		**1,180,413**		1,456,686
Patient escrow funds		**494,735**		466,174
Due to third-party payors		**4,897,045**		2,891,798
Total Current Liabilities		**33,388,629**		23,231,286
Notes Payable - Bergen County Improvement Authority		**25,000,653**		20,000,000
Total Liabilities		**58,389,282**		43,231,286
Commitments and Contingencies (Notes 5, 7 and 8)				
Net Asset Deficit				
Without donor restrictions		**(2,321,823)**		(2,876,200)
Total Liabilities and Net Asset Deficit	$	**56,067,459**	$	40,355,086

See accompanying notes to financial statements.

Care Plus Bergen, Inc.

Statement of Operations
(with comparative totals for 2017)

December 31,	**2018**	2017
Net Patient Service Revenue and Other Support		
Net patient service revenue	$ **176,478,898**	$ 50,285,060
Psych cost sharing revenue	**29,790,124**	6,012,597
Less: provision for uncollectibles, net	**(29,567,846)**	(13,982,325)
Net Patient Service Revenue	**176,701,176**	42,315,332
Subsidy revenue	**30,455,173**	7,345,917
Other revenue	**3,552,966**	447,009
Total Net Patient Service Revenue and Other Support	**210,709,315**	50,108,258
Expenses		
Salaries and wages	**114,750,378**	31,556,456
Employee benefits and related services	**23,337,150**	6,088,679
Contracted labor	**162,751**	51,613
Supplies and other expenses	**62,168,794**	15,202,026
Total Expenses	**200,419,073**	52,898,774
Net Operating Income (Loss), before rent expense, interest expense and depreciation	**10,290,242**	(2,790,516)
Rent Expense	**9,261,218**	-
Interest Expense	**467,214**	85,684
Depreciation	**7,433**	-
Increase (Decrease) in Net Assets Without Donor Restrictions	**554,377**	(2,876,200)
Net Deficit Without Donor Restrictions, beginning of year	**(2,876,200)**	-
Net Deficit Without Donor Restrictions, end of year	$ **(2,321,823)**	$ (2,876,200)

See accompanying notes to financial statements.

Care Plus Bergen, Inc.

Statement of Cash Flows
(with comparative totals for 2017)

December 31,		2018		2017
Cash Flows from Operating Activities				
Increase (decrease) in unrestricted net assets	$	**554,377**	$	(2,876,200)
Adjustments to reconcile change in net asset deficit to net cash used in operating activities:				
Provision for bad debts, net		**18,914,180**		16,333,572
Changes in operating assets and liabilities:				
For assets (increase) decrease in:				
Depreciation expense		**7,433**		-
Patient accounts receivable		**(36,873,756)**		(33,188,823)
Long-term care pharmacy receivable		**(2,486)**		(357,043)
Due from third-party payors		**(8,560,452)**		(3,295,909)
Due from Bergen County Improvement Authority and other receivables		**12,138,628**		(9,325,227)
Inventories		**43,464**		(1,954,004)
Prepaid expenses and deposits		**(587,473)**		(2,305,762)
Other assets		**209,369**		(209,369)
For liabilities increase (decrease) in:				
Accounts payable and accrued expenses		**7,280,165**		6,237,626
Accrued salaries, benefits and other payroll liabilities		**(3,178,683)**		11,659,686
Deferred revenue		**(276,273)**		1,456,686
Due to third-party payors		**2,005,247**		2,891,798
Net Cash Used in Operating Activities		**(8,326,260)**		(14,932,969)
Cash Flows from Investment Activities				
Purchase of property and equipment		**(50,975)**		-
Net Cash Used in Investment Activities		**(50,975)**		-
Cash Flows from Financing Activities				
Proceeds from Bergen County Improvement Authority		**5,000,653**		20,000,000
Net Cash Provided by Financing Activities		**5,000,653**		20,000,000
Net (Decrease) Increase in Cash and Cash Equivalents		**(3,376,582)**		5,067,031
Cash and Cash Equivalents, beginning of year		**5,067,031**		-
Cash and Cash Equivalents, end of year	$	**1,690,449**	$	5,067,031
Supplemental Disclosure of Cash Flow Information				
Cash paid during the year for interest	$	**467,214**	$	85,684

See accompanying notes to financial statements.

1. Description of the Organization

Care Plus Bergen, Inc. (the Organization or CPB) is a nonprofit corporation located in Paramus, New Jersey. The corporation was formed to serve as the special purpose vehicle to operate and manage Bergen New Bridge Medical Center (Bergen New Bridge or the Medical Center), as the Tenant-Operator, pursuant to a certain Sublease, Lease and Operating Agreement (SLOA) signed on July 14, 2017 with the Bergen County Improvement Authority (BCIA), as the Lessor. BCIA is a public body corporate and politic, created by the governing body of Bergen County, New Jersey. The Organization entered into a 19-year agreement to operate the Medical Center and commenced operations on October 1, 2017. Upon expiration of the contract, substantially all of the Organization's revenue and a significant portion of the expenses will be discontinued.

Bergen New Bridge is a county-owned, 1,070-bed acute care hospital that provides acute care, long-term care, behavioral health and other related healthcare and medical services. BCIA holds all the necessary licenses to operate New Bridge, which is the fourth largest publicly owned hospital in the country. New Bridge is located in Paramus, New Jersey and is one of the largest medical resources for behavioral health patients and residents and is a safety-net provider for the mentally impaired, elderly and uninsured and underinsured in the state of New Jersey.

Bergen New Bridge is operated and managed by CPB, a New Jersey nonprofit corporation that is contracted with three third-party-operators (service line managers), comprised of Care Plus NJ, Inc. and Integrity House—both New Jersey nonprofit corporations, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code)—and Rutgers New Jersey Medical School, an unincorporated unit of Rutgers, the State University of New Jersey (Rutgers), an instrumentality of the State of New Jersey. The Organization has been charged with and is committed to (1) providing quality healthcare to residents of Bergen County; (2) providing a healthcare safety net for the elderly, indigent and those in need of emergency services; (3) improving access for Veteran's Affairs services; (4) adapting to the changes in the healthcare market; and (5) providing quality healthcare services in a cost-efficient manner.

Both Care Plus NJ, Inc. and Integrity House provide strategic direction related to behavioral health services. This includes programmatic changes and billing optimization for inpatient services, among other expertise and support to the Organization.

Rutgers, on behalf of its unincorporated unit New Jersey Medical School (NJMS), provides clinical and administrative support for clinical and physician leadership for the Medical Center.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America (U.S. GAAP). In the statements of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—without donor restrictions and with donor restrictions—be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of operations.

As of December 31, 2018, the Organization had no donor-restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with maturity dates of three months or less from the date purchased to be cash equivalents, excluding assets whose use is limited.

Fair Value Measurements

The carrying values of the Organization's financial instruments as of December 31, 2018 and 2017, including due from Bergen County Improvement Authority, due to/from third-party payors, and accrued expenses, approximate their fair values due to the relatively short maturity of these instruments. The fair value of the long-term debt approximates the carrying value of long-term debt because the carrying value is based on imputed interest rates that approximates the interest rates at which the Organization could borrow under similar terms as of December 31, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectibles for accounts receivable for services to patients and residents, and liabilities, including estimated payables to third-party payors, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Patient Accounts Receivable

Patient accounts receivable are recorded at the reimbursed or contracted amount and do not bear interest. The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses in the Organization's existing accounts receivable. Management determines the allowance based on historical write-off experience and reviews the adequacy of the allowance for uncollectible accounts periodically. Past due balances are reviewed individually for collectibility. Account balances are charged-off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Inventories consist of pharmaceutical and medical supplies and are stated at the lower of average cost (determined principally by the first-in, first-out method) or market.

Fixed Assets

Fixed assets are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

Medical Malpractice Liabilities

CPB purchased professional liability insurance to cover medical malpractice claims on a claim made basis through Princeton Insurance Company. The policy currently provides coverage of $1,000,000 per occurrence and $3,000,000 annually in the aggregate. CPB has also purchased excess liability coverage up to $10,000,000 from the same commercial carrier. It is the opinion of CPB that adequate insurance is being maintained and that loss, if any, resulting from claims will not have a material adverse effect on CPB's financial position or results of operations.

There are known incidents, and possibly unknown incidents, that occurred through December 31, 2018 that may result in the assertion of additional malpractice claims. In the opinion of management, the final disposition of such claims will either be within available insurance coverage, been provided for in the accompanying statement of financial position or otherwise not have a material adverse effect on CPB's financial position, results of operations or liquidity.

Revenue Recognition

Net patient service revenue is recognized by the Medical Center in the period services are performed and consists primarily of net patient service revenue that is reported at estimated net realizable amounts from patients and residents, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Charity Care

The Organization provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Income Taxes

The Organization is incorporated in the state of New Jersey and is exempt from federal, state and local income taxes under Section 501(c)(3) of the Code, and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service (IRS) to not be a "private foundation" within the meaning of Section 509(a) of the Code. Unrelated business income for the year ended December 31, 2018 approximated $64,000.

The Organization has not taken an unsubstantiated tax position that would require provision of a liability under Accounting Standards Codification (ASC) 740. Under ASC 740, an organization must recognize the tax liabilities associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. The Organization does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits. The Organization has filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions where it is required. For the years ended December 31, 2018 and 2017, there were no interest or penalties recorded or included in the financial statements.

Concentration of Credit Risk

The Organization grants credit without collateral to its patients and residents, most of whom are local New Jersey residents and are insured under various third-party payor agreements.

The mix of receivables from patients and residents and third-party payors is as follows:

December31,	**2018 (%)**	2017 (%)
Medicaid/Medicaid HMO	**54**	57
Medicare/Medicare HMO	**19**	19
Self-pay/other	**16**	18
Commercial insurance	**7**	3
Blue Cross	**4**	3
Total	**100**	100

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. At various times during the year, the Organization may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Performance Indicator

The statement of operations includes revenues and other support, less expenses as the performance indicator. Changes in net assets without donor restrictions that are excluded from the performance indicator include rent expense, interest expense, and depreciation and amortization.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived.

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. CPB adopted this standard for the year ended December 31, 2018 and applied the provisions retrospectively for all 2017 comparative information presented.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the 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 those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available, whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating, based on five criteria. The statements of financial position recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statements of cash flows, differ depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on its financial statements.

3. Patient Accounts Receivable, Net and Net Patient Service Revenue

Patient accounts receivable result from the health care services provided by the Medical Center. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators.

Net patient service revenue is reported at the estimated net realizable amounts due from patients and residents, third-party payors and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and are adjusted in future periods as adjustments become known, or as years are no longer subject to such audits, reviews and investigations.

Fees for inpatient and outpatient services not covered by payor reimbursement and insurance programs are recorded on a sliding scale dependent on the individual's ability to pay. The Organization provides care to all patients and residents regardless of ability to pay. The Organization has a charity care policy, as well as a sliding scale fee schedule for those patients and residents who require financial assistance and meet specific requirements. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

A summary of key components of net patient service revenue is as follows:

Payment Arrangements with Major Third-Party Payors

Medicare

The Organization is paid for most Medicare inpatient and outpatient services under the prospective payment system (PPS) and other methodologies of the Medicare program for certain other services. The Organization's reimbursements from Medicare are now subject to certain variations under Medicare's single bundled payment rate system, whereby reimbursements can be adjusted for certain patient characteristics and other factors.

Non-Medicare Payments

Service rendered to Medicaid program beneficiaries is paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The New Jersey State Department of Health (DOH) updated the data utilized to calculate the New Jersey State Diagnostic Related Groups (DRG) service intensity weights (SIWs) in order to utilize more data in DOH-promulgated rates.

Revenues associated with commercial health plans are estimated based on contractual terms for the patients and residents under healthcare plans with which the Organization has formal agreements, non-contracted health plan coverage terms (if known), estimated secondary collections, historical collection experience and historical trends of refunds and payor payment adjustments.

Regulations, Reimbursement Contingencies and Concentration

Regulations require annual retroactive settlements for cost-based reimbursements through cost reports filed by the Organization. These retroactive settlements are estimated and recorded in the financial statements in the year in which they become known. The estimated settlements recorded at December 31, 2018 and 2017 could differ from actual settlements based on the results of the cost report audits. Laws and regulations governing 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 Organization's net patient service revenue from Medicare and Medicaid programs, on an aggregated basis, accounted for 76% and 71%, respectively, for the years ended December 31, 2018 and 2017. There are various proposals at the federal and state levels that could, among other things, significantly reduce or modify reimbursement rates. The ultimate outcome of these proposals and other market changes cannot be presently determined, and any reduction of funding could have an adverse effect on the Organization.

The current Medicare, Medicaid and other third-party payors are based upon extremely complex laws and regulations that are subject to interpretation, including, without limitation, the Federal Anti-Kickback statute and the Federal Ethics in Patient Referral Act (also called Stark Law), which apply to virtually all companies engaged in the healthcare services industry. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. Management believes the Organization is in compliance with these laws as of December 31, 2018 and 2017.

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse legislation. Recent federal initiatives have prompted a national review of federally funded healthcare programs. The Organization has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and interpretation exist. The ultimate outcome of any such reviews, which may be initiated by regulatory agencies, cannot be determined.

Psychiatric Cost Sharing/State Aid Program

As a county hospital, the Medical Center participates in a state aid program referred to as Psych Cost Sharing. It is a mechanism through which hospitals are assured reimbursement at-cost for psychiatric services rendered. The net estimated reserve for recoveries recorded due to Psych Cost Sharing for the years ended December 31, 2018 and 2017 were $1,968,666 and $2,571,833, respectively.

Delivery System Reform Incentive Payment (DSRIP)

The DOH operates DSRIP program, which is designed to result in better care for individuals, better health for the population, and lower costs by transitioning hospital funding. For the years ended December 31, 2018 and 2017, amounts due from DSRIP, totaled $8,927,982 and $2,975,994, respectively.

New Jersey State Bad Debt and Charity Care Subsidies

New Jersey State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the Organization based on the Organization's level of bad debt in relation to all other New Jersey hospitals. For the years ended December 31, 2018 and 2017, the Organization received a net distribution of $15,822,325 and $4,369,923, respectively, from the indigent care pool, which is included in subsidy revenue.

4. Liquidity and Availability of Resources

Liquidity

CPB's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

December 31, 2018		
Cash and cash equivalents	$	1,690,449
Patient escrow funds		494,735
Patient accounts receivable, net		34,814,827
Long-term care pharmacy receivable, net		359,529
Due from third-party payors		11,856,361
Bergen County Improvement Authority and other receivables		2,004,241
Total Resources Available	$	51,220,142

Liquidity Management

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

5. Transactions with BCIA

Use of Facility

Under the terms of the SLOA, the Organization is to pay BCIA rent in consideration for the use of the land, property and equipment provided by BCIA at the Medical Center. Rent is equal to 90% of Earnings Before Interest, Taxes, Depreciation, Amortization and Rent (EBITDAR), payable on a monthly basis, which commenced on October 1, 2017. The Organization had a net loss in 2017, therefore rent expenses was not paid. For the year ended December 31, 2018, rent expense amounted to $9,261,218.

Due from BCIA

Cash flow obligations of the Organization are passed through by BCIA on a daily basis. All cash receipts related to patient service revenue generated by the Organization shall be collected by BCIA, except for professional medical services that are provided by Rutgers Physicians and/or billed by Rutgers. Amounts due from BCIA, including estimated collections of net patient service revenue of the Medical Center, at December 31, 2018 and 2017, amounted to $2,004,241 and $9,844,543, respectively.

Due to BCIA

For the years ended December 31, 2018 and 2017, amounts due to BCIA totaled $4,817,642 and $519,316, respectively, which is comprised of amounts owed for inventory supplies, accrued interest and information technology expenses.

Note Payable – BCIA

The Organization entered into a promissory note with BCIA as part of the SLOA, which provided a $20,000,000 working capital loan to the Organization, which is interest-bearing at a rate equal to BCIA's note rate interest expense. The principal balance of the note, plus any outstanding interest, will become immediately due and payable upon expiration or termination of the SLOA. The balance of the note at December 31, 2018 and 2017 amounted to $20,000,000.

The Organization entered into a second promissory note in November 28, 2018 with BCIA under the County guaranteed project notes, which provided a $10,000,000 working capital fund requisition. The first drawdown was in the amount of $2,300,653 to pay for the cost of pharmacy inventories. The next drawdowns had a total amount of $2,700,000 to offset rent expense and reduce the Due to BCIA. The balance of this note at December 31, 2018 was $5,000,653.

Total notes payable to BCIA was $25,000,653 and $20,000,000 at December 31, 2018 and 2017, respectively.

6. Charity Care and Other Uncompensated Services

The gross charges foregone related to charity care were $55,471,627 and $62,443,696, respectively, for the years ended December 31, 2018 and 2017. In addition, the Medical Center provides community service programs for free or below cost and provides a variety of patient care services where reimbursement under federal and state agreements are below costs. These services include, but are not limited to, inpatient services and emergency room care.

7. Employee Benefit Plan

The Organization sponsors two contributory 401(k) plans covering substantially all employees. For the years ended December 31, 2018 and 2017, non-union employees contributing up to 3% and union employees contributing up to 4% of their salaries are entitled to receive a matching contribution from the Organization equal to 50%, such that the matching contribution may equal up to 2% of an employee's salary. The Organization's matching contribution amounted to $751,428 and $175,660, respectively, for the years ended December 31, 2018 and 2017.

8. Commitments and Contingencies

Self-Insured

CPB self-insures a portion of certain insurable risks consisting of employee medical and prescription claims. CPB records its estimated ultimate liability for reported claims plus an estimate for claims incurred but not reported. Accrual for self-insurance claims of $850,000 is included in accounts payable and accrued expenses as of December 31, 2018 and 2017.

Litigation

The Organization is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management and the Organization's legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Organization's statements of financial position, results of operations or liquidity.

Other Commitments

As described in Note 5, the Organization has rental commitments to BCIA for the term of the SLOA, which relates to the use of the Medical Center facility and equipment. The Organization has the responsibility to keep the property in good, safe order and maintain, repair and replace items at its own cost.

Union Contracts

The Organization has contracts with several unions covering substantially all employees, which expire at various dates.

9. Functional Expenses

The majority of the Organization's expenses can generally be directly identified with program or supporting services to which they relate and are allocated accordingly. Program services consist of providing healthcare and related services to residents within its geographic location. Other expenses have been allocated among program and supporting service classifications. These expenses include rent, interest, general and administrative operations. Interest expense and rent expense are allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort. Operating expenses related to providing these services are as follows:

December 31, 2018	Healthcare and Related Services	Program Support and General Services	Total
Salaries and wages	$ 104,976,972	$ 9,773,406	$ 114,750,378
Employee benefits	21,349,501	1,987,649	23,337,150
Supplies and other	47,396,808	14,934,737	62,331,545
Interest expense	410,214	57,000	467,214
Depreciation expense	7,433	-	7,433
Rent expense	8,131,349	1,129,869	9,261,218
	$ 182,272,277	$ 27,882,661	$ 210,154,938

December 31, 2017	Healthcare and Related Services	Program Support and General Services	Total
Salaries and wages	$ 29,755,686	$ 1,800,770	$ 31,556,456
Employee benefits	5,741,229	347,450	6,088,679
Supplies and other	10,364,702	4,888,937	15,253,639
Interest expense	75,231	10,453	85,684
	$ 45,936,848	$ 7,047,610	$ 52,984,458

10. Subsequent Events

The Organization has performed subsequent events procedures through June 28, 2019, which is the date the financial statements were available to be issued, and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.