

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL FINANCIAL INFORMATION  
New Jersey Health Care Facilities Financing Authority  
A Component Unit of the State of New Jersey  
December 31, 2003

New Jersey Health Care Facilities  
Financing Authority

Financial Statements  
and Supplemental Financial Information

December 31, 2003

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## Report of Independent Auditors

To the Members of the New Jersey Health Care  
Facilities Financing Authority

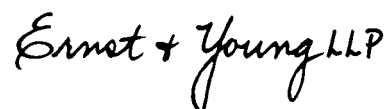
We have audited the accompanying balance sheets of the New Jersey Health Care Facilities Financing Authority, a component unit of the State of New Jersey, as of December 31, 2003 and 2002 and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at December 31, 2003 and 2002 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



February 17, 2004

New Jersey Health Care Facilities  
Financing Authority

Management's Discussion and Analysis

Year ended December 31, 2003

This section of the New Jersey Health Care Facilities Financing Authority's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2003. Please read it in conjunction with the Authority's financial statements and accompanying notes.

**Financial Highlights**

The Authority's total net assets increased \$826,000 or 27.0%  
 Cash and Investments increased \$700,000 or 38.7%  
 Operating Revenue increased \$837,000 or 32.0%  
 Operating Expenses increased \$109,000 or 4.3%  
 Operating Income increased \$728,000 or 921.5%

**Overview of the Financial Statements**

This annual financial report consists of three parts – *Management's Discussion and Analysis* (this section), the *basic financial statements* and *supplemental financial information and related notes*. The Authority is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the accrual basis of accounting.

**Financial Analysis of the Authority**

**Net Assets** – The following table represents the changes in net assets between December 31, 2003 and 2002:

	<b>2003</b>	<b>2002</b>	<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
	(\$000)	(\$000)	(\$000)	(%)
Current assets	\$4,516	\$3,422	\$1,094	32.0%
Noncurrent assets	48	71	(23)	(32.4%)
Total assets	4,564	3,493	1,071	30.7%
Current liabilities	675	264	411	155.7%
Noncurrent liabilities		166	(166)	(100.0%)
Total liabilities	675	430	245	57.0%
Total net assets	\$3,889	\$3,063	\$826	27.0%

In the Financial Analysis section, Current Assets for 2003 includes administrative fees (semi-annual fee billing done on December 31, 2003) receivables in the amount of \$1,698,385.00, an increase of \$376,840.00 or 28.5% compared to the semi-annual fee billing done on December 31, 2002. The increase in the receivable is due in part to the changes in the annual administrative fee structure which were adopted by the Authority on November 26, 2002. Those changes included, but are not limited to, an increase in the annual administrative fee from 6.5 to 10 basis points, increasing the fee cap from \$50,000 to \$75,000, billing of the semi-annual fees in advance for Bond/Note financings closed after December 31, 2002 and subjecting those fees to a yearly inflation factor adjustment. Further information regarding changes to the Authority's fee structure are mentioned throughout the remainder of the Management's Discussion and Analysis.

Concerning cash and cash equivalents, there has been an increase of \$318,000.00 or 84.8% compared to December 31, 2002. The increase is due in part to the changes in the fee structure mentioned above. In addition, depending on the Authority's cash projections, cash and cash equivalents are maintained at a level sufficient to pay for current expenditures. Cash considered to be in excess of that needed to cover current expenditures is used to purchase permitted investments for the Authority's operating account and/or it is deposited in a New Jersey Cash Management Account.

Current Liabilities for 2003 includes a deferred revenue amount totaling \$301,000. This amount represents a portion of the semi-annual fee billing done on December 31, 2003 and is for the semi-annual fees covering the period January 1, 2004 through June 30, 2003. As part of the change in the Authority's fee structure Bond/Note issues that are completed after January 1, 2003 are now billed their semi-annual fees in advance. The prior fee structure called for billing semi-annual fees in arrears. Also, in the Financial Analysis section, there has been a reclassification of Accrued Retirement Benefits in 2003 to Current Liabilities since a decision has been made to make a lump sum payment in early 2004 in order to satisfy the liability. This liability relates to an employee who opted to take the State's Early Retirement Incentive Program that was offered to State Agencies and Authorities in 2002.

**Changes in Net Assets** – The following table represents the changes in net assets between fiscal year 2003 and 2002:

	<u>2003</u>	<u>2002</u>	<u>Increase/ (Decrease)</u>	<u>Increase/ (Decrease)</u>
	(\$000)	(\$000)	(\$000)	(%)
Operating revenues:				
Administrative fees:				
Annual fees	\$2,930	\$ 2,554	\$ 376	14.7%
Initial fees	453		453	N/A
Mortgage servicing, Section 142 (d) fees	70	62	8	12.9%
Total operating revenues	<u>3,453</u>	<u>2,616</u>	<u>837</u>	<u>32.0%</u>
Operating expenses:				
Salaries and related expenses	1,821	1,791	30	1.7%
General and administrative	585	484	101	20.9%
Professional fees and other	240	262	(22)	(8.4%)
Total operating expenses	<u>2,646</u>	<u>2,537</u>	<u>109</u>	<u>4.3%</u>
Operating income	807	79	728	921.5%
Nonoperating revenues (expenses):				
Interest income	42	303	(261)	(86.1%)
Early retirement benefit	(23)	(166)	143	86.1%
Payment to State of New Jersey		(16,500)	16,500	N/A
Other, net		6	(6)	(100.0%)
Total nonoperating revenues (expenses)	<u>19</u>	<u>(16,357)</u>	<u>16,376</u>	<u>N/A</u>
Change in net assets	826	(16,278)	17,104	N/A
Net assets, beginning of year	<u>3,063</u>	<u>19,341</u>	<u>(16,278)</u>	<u>N/A</u>
Net assets, end of year	<u>\$3,889</u>	<u>\$ 3,063</u>	<u>\$ 826</u>	<u>27.0%</u>

The Financial Highlights, Financial Analysis and Changes in Net Assets sections all indicate an increase in the Authority's financial position in 2003 when compared to 2002. In March 2002 the Authority had to liquidate \$16,500,000 of the Authority's investment portfolio. The liquidation of the portfolio was necessary in order to comply with legislation that was passed in March 2002 that required the Authority to transfer \$16,500,000 to the State Treasurer for use in funding Hospital Charity Care. Due to the loss of interest income caused by the transfer of the funds, the Authority adopted changes to its fee structure on November 26, 2002 in order to once again provide the appropriate level of services to the Authority's borrowers. As stated previously, those changes included, but are not limited to, an increase in the annual administrative fee from 6.5 to 10 basis points, increasing the fee cap from \$50,000 to \$75,000 and instituting an initial fee for revenue bond/note issues of 10 basis points on the estimated par

amount of the issue with a cap of \$75,000 received at the time a Memorandum of Understanding is executed. These fees are subject to a yearly inflation factor adjustment. Also, an initial fee of \$5,000 has been instituted for borrowers that submit an application through the Authority's Capital Asset Program. As a result of the changes to the Authority's fee structure, calendar year 2003 reflects the positive effects of the changes to the Authority's fee structure.

In general, the annual fees and initial fees are charged for the processing of project costs, investment management of bond proceeds, monitoring of financial performance and other services provided to organizations to which the Authority lends the proceeds of its bonds and notes. The fees are used to provide sufficient funds to ensure that the Authority's operating expenses will be met, and that sufficient funds will be available to provide for the Authority's needs, including, but not limited to the coverage of Authority members' legal liability as a result of official actions; and research and development costs consistent with the Authority's legislation.

Interest income in 2003 represented interest earned on the Authority's checking accounts and operating funds invested in Agency and/or Treasury securities and in the New Jersey Cash Management Fund adjusted to their respective fair values. Interest income in 2002 represented interest earned on the Authority's checking accounts and operating funds invested in a Guaranteed Investment Contract, Agency and/or Treasury securities and in the New Jersey Cash Management Fund adjusted to their respective fair values. Interest earned in 2003 totaled \$42,000 including the fair value adjustment of \$16,000. For 2002, interest earned totaled \$303,000 including the fair value adjustment of \$91,000.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide New Jersey citizens, the Authority's clients, investors and creditors, with a general overview of the Authority's finances. Questions about this report and/or additional financial information, should be directed to the Executive Director at NJHCFFA, P.O. Box 366, Trenton, NJ 08625-0366. Readers are also invited to visit the Authority's web site at: [www.njhcffa.com](http://www.njhcffa.com).

New Jersey Health Care Facilities  
Financing Authority

Balance Sheets

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
	( \$000 )	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 693	\$ 375
Investments	1,818	1,436
Administrative fees and other receivables	1,832	1,448
Prepaid expenses	173	163
Total current assets	4,516	3,422
Noncurrent assets:		
Furniture, leasehold improvements and equipment	513	514
Less accumulated depreciation	(465)	(443)
Total noncurrent assets	48	71
Total assets	\$4,564	\$3,493
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 184	\$ 264
Accrued retirement benefits	190	
Deferred revenue	301	
Total current liabilities	675	264
Noncurrent liabilities:		
Accrued retirement benefits		166
Total liabilities	675	430
Net assets:		
Unrestricted	3,889	3,063
Total liabilities and net assets	\$4,564	\$3,493

*See accompanying notes.*



New Jersey Health Care Facilities  
Financing Authority

Statements of Revenues, Expenses and Changes in  
Fund Net Assets

	<b>Year ended December 31</b>	
	<b>2003</b>	<b>2002</b>
	(\$000)	
Operating revenues:		
Administrative fees:		
Annual fees	<b>\$2,930</b>	\$ 2,554
Initial fees	<b>453</b>	
Mortgage servicing fees	<b>51</b>	53
Section 142 (d) fees	<b>19</b>	9
Total operating revenues	<b>3,453</b>	2,616
Operating expenses:		
Salaries and related expenses	<b>1,821</b>	1,791
General and administrative expenses	<b>585</b>	484
Professional fees	<b>211</b>	225
Depreciation	<b>29</b>	37
Total operating expenses	<b>2,646</b>	2,537
Operating income	<b>807</b>	79
Nonoperating revenues (expenses):		
Interest income	<b>42</b>	303
Early retirement benefit	<b>(23)</b>	(166)
Payment to State of New Jersey		(16,500)
Other, net		6
Total nonoperating revenues	<b>19</b>	(16,357)
Changes in net assets	<b>826</b>	(16,278)
Net assets, beginning of year	<b>3,063</b>	19,341
Net assets, end of year	<b>\$3,889</b>	\$ 3,063

*See accompanying notes.*

New Jersey Health Care Facilities  
Financing Authority

Statements of Cash Flows

	<b>Year ended December 31</b>	
	<b>2003</b>	<b>2002</b>
	(\$000)	
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 3,370	\$ 2,284
Cash payment to suppliers and employees	(2,707)	(2,474)
Net cash provided by (used in) operating activities	<b>663</b>	(190)
<b>Cash flows from noncapital financing activities</b>		
Payment to State of New Jersey		(16,500)
Net cash used in noncapital financing activities	-	(16,500)
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(5)	(38)
Other		8
Net cash used in capital and related financing activities	(5)	(30)
<b>Cash flows from investing activities</b>		
Investments purchased	(1,500)	(1,409)
Proceeds from sale and maturities of securities	1,100	17,766
Investment income	60	478
Net cash (used in) provided by investing activities	(340)	16,835
Net increase in cash and cash equivalents	318	115
Cash and cash equivalents, beginning of year	375	260
Cash and cash equivalents, end of year	\$ 693	\$ 375
Operating income	\$ 807	\$ 79
Adjustments:		
Depreciation	29	37
Changes in asset and liabilities:		
Increase in accounts receivable	(384)	(332)
Increase in prepaid expenses	(10)	(54)
Increase in deferred revenue	301	
(Decrease) increase in accounts payable	(80)	80
Total adjustments	(144)	(269)
Net cash provided by (used in) operating activities	\$ 663	\$ (190)
<b>Supplemental schedule of noncash investing activities</b>		
Change in fair value of investments	\$ (16)	\$ (91)

*See accompanying notes.*

# New Jersey Health Care Facilities Financing Authority

## Notes to Financial Statements

December 31, 2003

### **1. Organization**

The New Jersey Health Care Facilities Financing Authority (the “Authority”) is a public body corporate and politic and a political subdivision of the State of New Jersey. The Authority is empowered to provide financing for health care organizations located in the State. The Authority is a component unit as reflected in the comprehensive annual financial report of the State of New Jersey.

Under the terms of the Act, the Authority has the power to issue bonds to, in addition to other things, construct, acquire, reconstruct, rehabilitate and improve, and furnish and equip projects on behalf of health care organizations. The Authority enters into loan and security agreements, and in some cases, mortgage agreements with designated health care organizations for each revenue bond issue. The loans and/or mortgages are general obligations of the health care organizations. Each of the Authority’s issues of bonds and notes is payable out of revenues derived from separate organizations and is secured by its own series resolution, note resolution or trust agreement and is separate and distinct as to source of payment and security, except for certain issues for the same organization or system which may be secured on a parity basis. The Authority assigns the loan and security agreements and, if any, mortgage agreements to the trustee for each bond issue.

Bonds and notes issued by the Authority are not a debt or liability of the State of New Jersey or any political subdivision other than the Authority and do not constitute a pledge of the full faith and credit of the State of New Jersey or any such political subdivision thereof, but are special and limited obligations of the Authority payable solely from the amounts payable under each agreement and mortgage and from amounts in the respective debt service reserve funds, if any, and other funds held pursuant to the resolutions, trust indenture, if any, and the mortgage agreement, if any. The Authority has no taxing power.

The Authority is exempt from both federal and state taxes.

### **2. Summary of Significant Accounting Policies**

The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Authority follows the

New Jersey Health Care Facilities  
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Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

pronouncements of only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

*Operating Revenues and Expenses* - Operating revenues and expenses result from providing services to various health care organizations in connection with the issuance of bonds. The Authority's principal operating revenues are the administrative fees that it charges these entities as further explained below. Operating expenses include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Administrative Fees* - The Authority charges an initial fee and an annual administrative fee to those health care organizations for which bond and note sales have been completed. Such fees are charged for the processing of project costs, investment management of bond proceeds, monitoring of financial performance and other services provided to organizations to which it lends the proceeds of its bonds and notes. The fees are used to provide sufficient funds to ensure that the Authority's operating expenses will be met, and that sufficient funds will be available to provide for the Authority's needs, including, but not limited to the coverage of Authority members' legal liability as a result of official actions; and research and development costs consistent with the Authority's legislation.

*Mortgage Servicing Fees* - The Authority charges a fee in accordance with the servicing agreement for those issues for which the Authority has assumed the mortgage servicing function.

*Section 142(d) Fees* - The Authority charges an annual fee per each low and moderate income unit located in each project financed by the Authority under Section 142(d) of the Internal Revenue Code in order to compensate the Authority for monitoring the project's compliance therewith.

*Depreciation* - Furniture, leasehold improvements and equipment are depreciated over their estimated useful lives using the straight-line method as follows:

Equipment	3 to 5 years
Furniture	7 years
Leasehold improvements	Term of lease

New Jersey Health Care Facilities  
Financing Authority

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

*Cash and Cash Equivalents* - The Authority classifies all highly-liquid investments with an original maturity of less than ninety days as cash and cash equivalents. Cash equivalents consist of the Authority's checking account and units of the State of New Jersey Cash Management Fund.

**3. Cash and Investments**

The components of cash and investments at December 31, 2003 and 2002 are:

	<u>2003</u>	<u>2002</u>
	(000's)	
Cash and cash equivalents:		
Operating checking account		\$ 62
New Jersey Cash Management Fund	\$ 693	313
Investments:		
U.S. Treasury and Agency obligations	<u>1,818</u>	1,436
Total cash, cash equivalents and investments	<u>\$2,511</u>	<u>\$1,811</u>

The Authority's cash deposits at December 31, 2003 and 2002 amounted to \$111,413 and \$87,083, respectively, of which \$100,000 was covered by FDIC insurance. The remaining amount is uncollateralized.

The New Jersey Cash Management Fund is a common trust fund administered by the New Jersey Department of the Treasury, Division of Investment. Securities in the Fund are insured, registered or held by the Division or its agent in the Fund's name. The funds invested in the New Jersey Cash Management Fund, are "uncategorized" investments for GASB purposes.

All investments are carried at fair value.

Investments are made in U.S. Treasury and Agency obligations. As of December 31, 2003 and 2002, all investments were made in accordance with the Authority's investment policy.

**4. Pension Plan**

The Authority's employees participate in the Public Employees Retirement System of New Jersey (PERS), a cost sharing multiple-employer defined benefit plan. The Authority's contribution is based upon an actuarial computation performed by the PERS.

New Jersey Health Care Facilities  
Financing Authority

Notes to Financial Statements (continued)

**4. Pension Plan (continued)**

The Authority's total and covered payroll for the years ended December 31, 2003, 2002 and 2001 were \$1,446,816, \$1,441,998 and \$1,416,604, respectively. Pension (benefit) cost for the years ended December 31, 2003, 2002 and 2001 were (\$4,413), \$3,464 and (\$2,091), respectively, and are included in the operating fund. Employees of the Authority also contribute a percentage of their wages to the pension system; the percentage of contributions, as determined by PERS, was 3.00% in 2003, 2002 and 2001, respectively.

**5. Commitments**

The Authority has an operating lease commitment for its offices at an annual rental of approximately \$232,000 through September 2006.

**6. Related Party Transactions**

Operating expenses for the years ended December 31, 2003 and 2002 include approximately \$123,000 and \$204,000, respectively, relating to payment for goods and services provided by various State of New Jersey agencies.

**7. Conduit Debt**

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financing. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. During the year ended December 31, 2003, the Authority issued \$684,800,000 in conduit debt. The amount of conduit debt outstanding at December 31, 2003 totaled \$4,909,648,000.

**8. Payment to State of New Jersey**

In March 2002, the State legislature passed legislation requiring the Authority to transfer up to \$16,500,000 of the Authority's unrestricted net assets to the State Treasurer for deposit into the State's General Fund to be used for charity care subsidy payments to hospitals. On March 22, 2002 the transfer of \$16,500,000 to the State's General Fund was made.

## Supplemental Financial Information

New Jersey Health Care Facilities  
Financing Authority

Statements of Net Assets for Trustee Held Funds

	December 31	
	2003	2002
	(\$000)	
<b>Assets</b>		
Mortgages and loans receivable	<b>\$3,981,649</b>	\$3,725,873
Lease receivable	<b>19,125</b>	
Equipment revenue notes receivable	<b>4</b>	
Capital Asset Program notes receivable	<b>72,789</b>	59,985
Construction/program accounts:		
Cash and cash equivalents	<b>217,144</b>	131,002
Investments	<b>276,144</b>	267,156
Prepaid expenses	<b>11</b>	10
Debt service accounts:		
Cash and cash equivalents	<b>152,382</b>	150,536
Investments	<b>26,723</b>	23,364
Receivable from master trustee/institution	<b>2,944</b>	4,237
Debt service reserve accounts:		
Cash and cash equivalents	<b>97,724</b>	81,612
Investments	<b>164,825</b>	166,627
Mortgage servicing accounts:		
Cash and cash equivalents	<b>1,967</b>	2,016
Mortgage payments receivable	<b>756</b>	756
Total assets	<b>\$5,014,187</b>	\$4,613,174
<b>Liabilities and net assets</b>		
Bonds payable	<b>\$4,904,148</b>	\$4,506,433
Revenue notes payable	<b>5,500</b>	
Accrued interest payable	<b>100,873</b>	103,127
Accrued expenses	<b>258</b>	246
Mortgages and escrows payable	<b>2,723</b>	2,772
Capital Asset Program net assets	<b>685</b>	596
Total liabilities and Capital Asset Program net assets	<b>\$5,014,187</b>	\$4,613,174

*See accompanying notes.*



New Jersey Health Care Facilities  
Financing Authority

Statements of Cash Flows for Trustee Held Funds

	<b>Year ended December 31</b>	
	<b>2003</b>	<b>2002</b>
	(\$000)	
<b>Cash flows from operating activities</b>		
Payments received from institutions under agreements	<b>\$ 366,587</b>	\$ 309,630
Equity contribution from institutions	<b>19,846</b>	32,009
Disbursements for construction/acquisition and issuance expense	<b>(452,520)</b>	(468,265)
Other disbursements	<b>(25,557)</b>	(18,281)
Net cash used in operating activities	<b>(91,644)</b>	(144,907)
<b>Cash flows from noncapital financing activities</b>		
Face amount of revenue bonds	<b>684,800</b>	529,082
Less deductions at time of sale	<b>(10,864)</b>	(24,154)
Accrued interest to date of delivery	<b>745</b>	1,437
Refunding of pre-existing debt/escrow fund deposit	<b>(93,555)</b>	(119,143)
Net proceeds from sale of revenue bonds	<b>581,126</b>	387,222
Principal/premium paid on revenue bonds	<b>(156,041)</b>	(135,284)
Interest paid on revenue bonds	<b>(226,826)</b>	(209,404)
Net cash provided by noncapital financing activities	<b>198,259</b>	42,534
<b>Cash flows from investing activities</b>		
Net proceeds from sale and maturities of securities	<b>(26,599)</b>	(48,605)
Interest on investments	<b>24,035</b>	26,301
Net cash used in investing activities	<b>(2,564)</b>	(22,304)
Net increase (decrease) in cash and cash equivalents	<b>104,051</b>	(124,677)
Cash and cash equivalents, beginning of year	<b>365,166</b>	489,843
Cash and cash equivalents, end of year	<b>\$ 469,217</b>	\$ 365,166

*See accompanying notes.*

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information

December 31, 2003

**1. Background**

As indicated in Note 1 to the Authority's financial statements, the Authority has the power to issue bonds and notes on behalf of healthcare organizations. Each of the Authority's issues of bonds and notes is payable out of revenues derived from separate organizations and is secured by its own series resolution, note resolution or trust agreement and is separate and distinct as to source of payment and security, except for certain issues for the same organization or system which may be secured on a parity basis. The Authority assigns the loan and security agreements and, if any, mortgage agreements to the trustee for each bond issue. The amounts reported in these supplemental financial statements include all Trustee Held Funds maintained by the Authority's various trustees.

Bonds and notes issued by the Authority are not a debt or liability of the State of New Jersey or any political subdivision other than the Authority and do not constitute a pledge of the full faith and credit of the State of New Jersey or any such political subdivision thereof, but are special and limited obligations of the Authority payable solely from the amounts payable under each agreement and mortgage and from amounts in the respective debt service reserve funds, if any, and other funds held pursuant to the resolutions, trust indenture, if any, and the mortgage agreement, if any. The Authority has no taxing power.

**2. Summary of Significant Accounting Policies**

The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

*Description of Funds* - The Authority maintains books of account for each of the issues of debt outstanding and for its mortgage servicing funds (Trustee Held Funds). Funds are maintained in accordance with the requirements of the applicable bond and note resolutions and are combined for financial statement presentation. The following is a description of the Authority's financing programs:

*Capital Asset Program* - Accounts for the receipt and disbursement of funds in connection with the Authority's Capital Asset Revenue Bonds, Series A through D. These bonds were initially issued without designated borrowers. Under the Capital Asset Program, the Authority was required to establish a Debt Service Reserve Fund which may be used to pay debt service if pledged revenues are insufficient.

*Revenue Bond/Note Program* - Accounts for the receipt and disbursement of funds in connection with the various revenue bonds/notes issued by the Authority to designated borrowers for specific purposes as described in the applicable bond and note resolutions.

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**2. Summary of Significant Accounting Policies (continued)**

Under both programs the assets of the Construction/Program Accounts, Debt Service Accounts and Debt Service Reserve Accounts are held by trustees in accordance with the applicable bond and note resolutions. The resolutions establish the following accounts, which are referred to as “funds.” These do not represent “funds” as the term is used in generally accepted accounting principles, but are separate “accounts” used to delineate the accounting and reporting of bond related monies.

- Construction/Program Accounts - accounts for the receipt and disbursement of monies for the payment of construction expenses, related equipment expenditures, and expenses associated with bond issues.
- Debt Service Accounts - accounts for the receipt and disbursement of monies held on behalf of the designated borrowers for the payment of bond or note interest and principal.
- Debt Service Reserve Accounts - accounts for the receipt and disbursement of monies held in reserve on behalf of the investors in compliance with applicable bond resolutions. When required, the Debt Service Reserve Funds are generally maintained at an amount equal to the greatest annual amount of interest and principal payable.
- Mortgage Servicing Accounts - accounts for receipt of principal, interest, insurance, reserve for replacements and property tax payments of institutions for which the Authority is the mortgagee of record and has assumed the mortgage servicing function. These funds are held in segregated escrow accounts until remitted to the bond trustee or appropriate agency.

Interest income on these accounts (except for accounts held under the Capital Asset Program) and the interest expense on the bonds and notes are recorded in the borrowers financial statements, and therefore, the Authority does not present a statement of revenues, expenses and changes in fund balance for the Trustee Held Funds.

**3. Mortgages and Loans Receivable**

Loans are granted by the Authority to borrowers for periods concurrent with those of the related bond issues. In some instances, mortgages, and in most instances, a pledge of gross receipts is granted to the Authority to support the respective loans. The organizations are required to make principal and interest payments to the Authority or trustee bank sufficient to

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**3. Mortgages and Loans Receivable (continued)**

meet the principal and interest requirements of the bonds. To the extent required by the applicable bond documents, funds received by the Authority have been placed in Debt Service and Debt Service Reserve Funds for future interest and principal payments.

Among other things, the mortgages provide first liens on the physical property financed with the bond proceeds, and in some instances, all after-acquired property and previously existing facilities. The Authority has assigned all of its rights, title and interest in such security to the trustee bank for each respective issue.

As of December 31, 2003 and 2002, mortgages and loans receivable were:

	2003	2002
	(\$000)	
<b>Mortgages</b>		
Underwood Memorial Hospital	\$ 13,505	\$ 14,225
The Society of the Valley Hospital	21,900	25,710
St. Mary's Catholic Home	3,858	4,007
Robert Wood Johnson University Hospital	147,985	164,300
Chilton Memorial Hospital	26,590	28,610
Burdette Tomlin Memorial Hospital	30,795	32,510
William B. Kessler Memorial Hospital	586	937
Holy Name Hospital	60,450	61,910
Lutheran Home at Moorestown	3,430	3,535
Columbus Hospital	29,200	30,000
Deborah Heart and Lung Center	27,965	28,670
Southern Ocean County Hospital	60,175	61,495
Somerset Medical Center	112,300	31,740
St. Ann's Home for the Aged	7,919	8,145
CentraState Assisted Living, Inc.	7,625	7,810
Total mortgages receivable	554,283	503,604
<b>Loans</b>		
Secured by pledge of collateral with trustees:		
Spectrum for Living	2,335	2,415
Barnert Hospital	29,865	30,685
Kennedy Health Facilities, Inc.	3,870	3,970
Cathedral Health Services, Inc.	80,274	84,527
Care Institute, Inc. - Cherry Hill	15,455	15,675

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**3. Mortgages and Loans Receivable (continued)**

	<b>2003</b>	<b>2002</b>
	<i>(\$000)</i>	
<b>Loans</b>		
Secured by pledge of collateral with trustees (continued):		
Shoreline Behavioral Health Center (currently Saint Barnabas Behavioral Health Center, a part of Saint Barnabas Health Care System)	\$ 13,590	\$ 13,870
Christ Hospital	3,300	3,500
Christian Health Care Center	800	800
Holy Name Hospital	10,700	11,600
Pascack Community Services		600
United Methodist Homes of New Jersey Foundation, Inc.	2,000	2,500
The Avalon at Bridgewater Assisted Living Project	7,115	7,205
Beth Israel Hospital Association of Passaic		11,300
Holland Christian Home Association	3,700	3,800
The Medical Center at Princeton, New Jersey	2,200	4,300
St. Mary's Hospital, Passaic, New Jersey	8,600	8,900
Bartley Assisted Living LLC	9,621	9,833
Hackettstown Community Hospital		16,565
Muhlenberg Regional Medical Center	23,250	24,295
NewSeasons of Mt. Arlington Assisted Living Project		11,430
Healthcare Centers of Wayne, Inc.	8,999	8,999
Jersey City Medical Center	216,440	200,000
Hartwyck West Nursing Home	1,097	1,289
JFK Assisted Living	13,506	13,760
Meridian Hospitals Corporation	12,200	15,000
Capital Health System		14,600
Wiley Mission Project	13,770	13,770
Englewood Hospital and Medical Center	99,955	99,955
The Community Hospital Group	20,000	
The Matheny School and Hospital	3,500	
Robert Wood Johnson University Hospital	25,000	
Saint Clare's Hospital	15,400	
St. Francis Medical Center	3,100	
St. Joseph's -Wayne Hospital	6,500	
Virtua Health, Inc.	11,000	
Rahway Hospital	11,000	

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**3. Mortgages and Loans Receivable (continued)**

	<b>2003</b>	<b>2002</b>
	<i>(\$000)</i>	
<b>Loans (continued)</b>		
Secured by pledge of gross receipts under Master Trust Indentures:		
Hackensack Medical Center (currently Hackensack University Medical Center)	<b>\$ 235,710</b>	\$ 235,710
Saint Peter's Medical Center (currently Saint Peter's University Hospital)	<b>121,410</b>	123,455
Hunterdon Medical Center	<b>10,565</b>	12,690
East Orange General Hospital	<b>11,505</b>	12,455
St. Elizabeth Hospital (currently Trinitas Hospital)	<b>55,305</b>	56,360
JFK Health Systems Obligated Group	<b>42,330</b>	45,865
Mercer Medical Center (currently a part of Capital Health System)		38,875
Pascack Valley Hospital Association	<b>86,095</b>	35,600
Palisades Medical Center Obligated Group (currently a part of Palisades Medical Center of New York Presbyterian Health Care System)	<b>43,755</b>	44,390
The Mountainside Hospital (currently a part of AHS Hospital Corporation)		45,615
Union Hospital/Mega Care Inc. Obligated Group (currently a part of Saint Barnabas Health Care System)		15,725
Shore Memorial Health Care System	<b>48,320</b>	19,755
Dover General Hospital and Medical Center (currently a part of Saint Clare's Hospital, Inc.)	<b>31,265</b>	33,790
South Jersey Hospital System	<b>170,470</b>	171,580
Raritan Bay Medical Center	<b>55,900</b>	58,400
Jersey Shore Medical Center (currently a part of Meridian Health System, Inc.)	<b>33,270</b>	35,030
Saint Clares* Riverside Medical Center (currently a part of Saint Clare's Hospital, Inc.)	<b>43,560</b>	46,370
Englewood Hospital and Medical Center		
Christ Hospital Obligated Group	<b>9,400</b>	12,130
Bayonne Hospital Obligated Group	<b>39,795</b>	41,185

New Jersey Health Care Facilities  
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Notes to Supplemental Financial Information (continued)

**3. Mortgages and Loans Receivable (continued)**

	<u>2003</u>	<u>2002</u>
	<i>(\$000)</i>	
<b>Loans (continued)</b>		
Secured by pledge of gross receipts under Master Trust		
Indentures (continued):		
Warren Hospital Obligated Group	\$ 25,045	\$ 25,793
St. Joseph's Hospital and Medical Center Obligated Group	79,475	84,870
AHS Hospital Corporation	241,080	170,485
Newton Memorial Hospital	31,625	32,735
Kennedy Health System Obligated Group	87,085	90,340
Capital Health System Obligated Group	178,100	48,260
Christian Health Care Center	25,675	26,575
Community Medical Center/Kimball Medical Center/ Kensington Manor Care Center Obligated Group (currently parts of Saint Barnabas Health Care System)	70,640	76,840
The Medical Center at Princeton, New Jersey Obligated Group	61,375	62,875
Rahway Hospital Obligated Group	24,405	26,045
JFK Medical Center/Hartwyck at Oak Tree Obligated Group	48,180	49,340
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group (currently parts of Saint Barnabas Health Care System)	59,715	63,690
CentraState Medical Center Obligated Group	55,565	56,790
Virtua Health, Inc.	132,700	139,075
Saint Barnabas Health Care System	584,218	588,243
Catholic Health East	110,325	64,275
Meridian Health System Obligated Group	334,280	238,120
RWJ Health Care Corp. at Hamilton, Obligated Group	31,000	31,000
Trinitas Hospital Obligated Group	81,100	81,930
The Society of the Valley Hospital Obligated Group	40,000	40,000
The House of the Good Shepherd	19,810	19,810
Bayshore Community Hospital	48,740	49,740
Atlantic City Medical Center	113,205	115,875
Beth Israel Hospital Association	30,600	
Total loans receivable	<u>4,230,740</u>	<u>3,902,829</u>
Total mortgages and loans receivable	4,785,023	4,406,433
Less cash and investments held by trustees	803,374	680,560
Net mortgages and loans receivable	<u>\$3,981,649</u>	<u>\$3,725,873</u>

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**4. Capital Asset Program Notes Receivable**

Capital Asset Program notes receivable are for varying terms. The borrowing institutions are required to make principal and interest payments to the trustee in an amount sufficient to repay principal borrowed and to meet the interest requirements including program expenses related to the respective loans. Any principal repayments can be reloaned to other institutions as long as they are scheduled for repayment no later than six months prior to the maturity of the Capital Asset Program Bonds, Series A-D in 2035.

As of December 31, 2003 and 2002 Capital Asset Program notes receivable were:

	<b>2003</b>	<b>2002</b>
	<i>(\$000)</i>	
Bayshore Community Hospital	<b>\$ 2,017</b>	\$ 2,521
Matheny School	<b>1,205</b>	1,409
Community Medical Center (currently a part of Saint Barnabas Health Care System)	<b>1,251</b>	1,457
Children's Specialized Hospital	<b>614</b>	1,432
Shore Rehabilitation Institute	<b>683</b>	1,053
Jewish Federation of Southern New Jersey	<b>413</b>	567
Visiting Nurses Association of Central Jersey	<b>849</b>	964
Somerset Medical Center	<b>21,374</b>	22,774
Underwood Memorial Hospital	<b>3,149</b>	3,936
FOCUS-Hispanic Center for Community Development	<b>151</b>	206
New Jersey Organ and Tissue Sharing Network	<b>1,830</b>	2,030
Atlantic City Medical Center	<b>7,150</b>	7,750
Virtua Health Inc.	<b>15,444</b>	19,233
Children's Center for Therapy and Learning, Inc.	<b>2,458</b>	2,500
Saint Barnabas Corporation-Mega Care, Inc.	<b>15,312</b>	
Total Capital Asset Program notes receivable	<b>73,900</b>	67,832
Less cash and investments held by trustee	<b>1,111</b>	7,847
Net Capital Asset Program notes receivable	<b>\$72,789</b>	\$59,985



New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**5. Equipment Revenue Notes Receivable**

Equipment revenue notes receivable are for varying terms. The borrowing institutions are required to make principal and interest payments to the note holder in an amount sufficient to meet the principal and interest requirements of the Equipment Revenue Notes.

The notes are secured by first liens on all or a portion of the physical property financed with the note, or similar collateral. The Authority has assigned all of its rights, title and interest in such security to the holder of each respective note.

As of December 31, 2003 and 2002, there was one equipment revenue note receivable for Barnert Hospital in the amount of \$5,500,000 less cash and investments held by the trustee of \$5,496,000 leaving a net equipment revenue note receivable of \$4,000. As of December 31, 2002, there were no equipment revenue notes outstanding.

**6. Lease Receivable: Greystone Park Psychiatric Hospital**

The Authority entered into a 50-year lease on December 18, 2003 with the Department of Human Services of the State of New Jersey (DHS) whereby the Authority obtained a lease on the existing property and buildings of the Greystone Park Psychiatric Hospital. The Authority has agreed to make major improvements to the leased property and sublease the property back to DHS. The improvements are being financed by the issuance of Lease Revenue Bonds of the Authority payable solely from sublease rental payments received from DHS. On December 18, 2003 the Authority issued lease revenue bonds in the aggregate principal amount of \$19,125,000 to finance the improvements and anticipates a second issue of lease revenue bonds will be necessary in order to complete the project. The sublease was also entered into on December 18, 2003. Under the sublease, DHS agrees to make rental payments to the Authority that are sufficient to pay the principal, interest and other costs associated with the financing, subject to appropriation. There is no remedy provided to the Authority under the sublease for any default by DHS in its payment of rent or failure by DHS to make such payments, if in either case moneys therefore are not appropriated.

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**7. Cash and Investments**

The components of cash and investments at December 31, 2003 and 2002 are:

	<b>2003</b>	<b>2002</b>
	<i>(\$000)</i>	
Cash and cash equivalents:		
Money Market Funds (which includes New Jersey Cash Management Fund)	<b>\$469,217</b>	\$365,166
Investments:		
Investment agreements:		
Collateralized	<b>160,225</b>	246,813
Uncollateralized		17,437
U.S. Treasury and Agency obligations	<b>307,467</b>	192,897
Total cash, cash equivalents and investments	<b>\$936,909</b>	\$822,313

The New Jersey Cash Management Fund is a common trust fund administered by the New Jersey Department of the Treasury, Division of Investment. Securities in the Fund are insured, registered or held by the Division or its agent in the Fund's name. Money market funds represent shares of open-end, diversified investment companies which, along with funds invested in the New Jersey Cash Management Fund, are "uncategorized" investments for GASB purposes.

All investments, except for investment agreements, are carried at fair value. Investment agreements are non-participating guaranteed investment contracts which are carried at cost.

Investments of restricted funds are generally made in accordance with the Authority's General Bond Resolution, subject to modifications in the applicable Series Resolutions. The General Bond Resolution, which is amended from time to time, permits the investment of funds held by the trustee in the following: (a) obligations of or guaranteed by the State of New Jersey; the U.S. government or agencies of the U.S. government; (b) obligations of or guaranteed by any state of the U.S. or the District of Columbia rated in the highest two credit rating categories; (c) repurchase agreements secured by obligations noted in (a) or (b) above; (d) interest-bearing deposits in any bank or trust company, insured or secured by a pledge of obligations noted in (a) or (b) above; (e) New Jersey Cash Management Fund; (f) shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940 which invests in obligations of or guaranteed by the U.S. government or government agencies with maturities of less than one year and has net assets of not less than \$10,000,000.

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**7. Cash and Investments (continued)**

In addition, bond resolutions for FHA-insured mortgages, the Capital Asset Program and certain bond issues permit investments in investment agreements.

Collateralized investment agreements are “category 1” investments and U.S. Treasury and Agency obligations are “category 2” investments for GASB purposes.

These investments are made at the direction of the Authority and are held by the respective trustee in the name of the Authority and the respective health care organization. Interest income earned on such investments is credited periodically to the participant’s trust account.

**8. Revenue Bonds and Notes**

The security for the revenue bonds and notes of the Authority is described in Note 3 and is assigned to the trustee of the bond issue or to the holder of the equipment revenue note. The bonds and notes do not constitute a debt or liability of the State of New Jersey or any other political subdivision, or a pledge of the faith and credit of the State of New Jersey or any other political subdivision thereof, but are special limited obligations of the Authority payable solely from the revenues received by the Authority under the mortgage, loan, lease and note agreements and from amounts in the debt service reserve funds and other funds held pursuant to the resolutions, loan and mortgage agreements.

Revenue bonds and notes outstanding are comprised of the following:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
<b>Revenue bonds</b>				
Public issues:				
Lutheran Home at Moorestown, Series A	2019	8.20 - 8.40	\$ 3,430	\$ 3,535
The Society of the Valley Hospital, Series C	2014	6.00 - 6.625	21,900	25,710
Hunterdon Medical Center, Series A	2020	7.00	10,565	12,690
East Orange General Hospital, Series B	2020	7.75	11,505	12,455
Robert Wood Johnson University Hospital, Series B	2016	6.625	*	14,165

\*Defeased and/or retired

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
Mercer Medical Center, Series 1991 (currently a part of Capital Health System)	2021	6.25 - 6.50	*	\$38,875
Burdette Tomlin Memorial Hospital, Series D	2021	6.10 - 6.50	<b>\$ 6,610</b>	8,325
Columbus Hospital, Series A	2021	7.50	<b>29,200</b>	30,000
Spectrum for Living, Series B	2022	6.50	<b>2,335</b>	2,415
JFK Health Systems Obligated Group, Series 1993	2023	4.90 - 5.50	<b>15,600</b>	18,505
Underwood Memorial Hospital, Series B	2023	5.20 - 5.70	<b>13,505</b>	14,225
Deborah Heart and Lung Center, Series 1993	2023	5.60 - 6.30	<b>27,965</b>	28,670
The Mountainside Hospital, Series 1993 (currently a part of AHS Hospital Corporation)	2014	5.10 - 5.50	*	45,615
Southern Ocean County Hospital, Series A	2023	6.125 - 6.25	<b>22,100</b>	22,700
Saint Peter's Medical Center, Series F (currently Saint Peter's University Hospital)	2021	4.50 - 5.00	<b>49,615</b>	51,660
Chilton Memorial Hospital, Series D	2013	4.80 - 5.00	<b>26,590</b>	28,610
Union Hospital/Mega Care Inc. Obligated Group, Series 1993 (currently a part of Saint Barnabas Health Care System)	2014	5.875	*	15,725
Shore Memorial Health Care System, Series 1993	2012	4.60 - 5.00	<b>17,115</b>	19,755
Somerset Medical Center, Series A	2024	4.50 - 5.20	<b>30,910</b>	31,740
Dover General Hospital and Medical Center, Series 1994 (currently a part of Saint Clare's Hospital, Inc.)	2012	5.875 - 7.00	<b>31,265</b>	33,790
Raritan Bay Medical Center, Series 1994	2027	6.625 - 7.25	<b>55,900</b>	58,400
Jersey Shore Medical Center, Series 1994 (currently a part of Meridian Health System, Inc.)	2024	5.50 - 6.75	<b>33,270</b>	35,030
Saint Clares* Riverside Medical Center, Series 1994 (currently a part of Saint Clare's Hospital, Inc.)	2014	5.50 - 5.75	<b>43,560</b>	46,370
Christ Hospital Obligated Group, Series 1994	2006	7.00	<b>9,400</b>	12,130
Bayonne Hospital Obligated Group, Series 1994	2012	6.10 - 6.40	<b>17,070</b>	18,460

\*Defeased and/or retired

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<b>Revenue bonds (continued)</b>			(\$000)	
Public issues (continued):				
JFK Health Systems Obligated Group, Series 1995	2025	5.05 - 5.70	\$ 26,730	\$ 27,360
Warren Hospital Obligated Group, Series 1995	2018	5.25 - 5.875	10,555	11,005
Kennedy Health Facilities, Inc., Series 1995	2025	4.90 - 5.90	3,870	3,970
Robert Wood Johnson University Hospital, Series C	2010	4.75 - 5.75	18,345	20,495
St. Joseph's Hospital and Medical Center Obligated Group, Series 1996A	2026	5.10 - 6.00	76,470	81,600
St. Joseph's Hospital and Medical Center Obligated Group, Series 1996B	2011	7.70	3,005	3,270
St. Elizabeth Hospital Obligated Group, Series 1997 (currently Trinitas Hospital)	2027	5.35 - 6.00	55,305	56,360
Care Institute, Inc. - Cherry Hill, Series 1996	2027	7.75 - 8.00	15,455	15,675
Holy Name Hospital, Series 1997	2025	4.85 - 6.00	60,450	61,910
Shoreline Behavioral Health Center, Series 1997 (currently Saint Barnabas Behavioral Health Center, a part of Saint Barnabas Health Care System)	2027	5.00 - 5.50	13,590	13,870
AHS Hospital Corporation, Series 1997 A	2027	4.625 - 6.00	104,405	107,585
AHS Hospital Corporation, Series 1997 B	2025	Auction Rate	61,600	62,900
Newton Memorial Hospital, Series 1997	2019	4.50 - 5.00	17,035	17,735
Kennedy Health System Obligated Group, Series 1997 A	2027	4.50 - 5.20	15,880	16,315
Southern Ocean County Hospital, Series 1997	2027	4.30 - 5.00	12,700	12,980
Capital Health System Obligated Group, Series 1997	2027	4.70 - 5.25	46,540	48,260
Christian Health Care Center, Series 1997 A	2018	4.85-5.50	15,975	16,675
Christian Health Care Center, Series 1997 B	2028	Daily/weekly/ unit pricing/ term rate or fixed rate mode	9,700	9,900
Bayonne Hospital Obligated Group, Series 1998	2027	4.75	22,725	22,725
Community Medical Center/Kimball Medical Center/Kensington Manor Care Center Obligated Group, Series 1998 (currently parts of Saint Barnabas Health Care System)	2019	4.125-5.50	70,640	76,840

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<b>Revenue bonds (continued)</b>			(\$000)	
Public issues (continued):				
Cathedral Health Services, Inc., Series 1998	2021	4.40-5.50	\$ 67,240	\$ 69,795
Kennedy Health System Obligated Group, Series 1997 B	2015	5.00-5.75	27,315	30,135
The Medical Center at Princeton, New Jersey Obligated Group, Series 1998	2028	4.30-5.125	61,375	62,875
Rahway Hospital Obligated Group, Series 1998	2014	4.80-5.125	24,405	26,045
Hackensack University Medical Center, Series 1998	2028	4.20-5.375	150,375	150,375
JFK Medical Center/Hartwyck at Oak Tree Obligated Group, Series 1998	2025	4.30-5.00	48,180	49,340
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group, Series 1998A (currently parts of Saint Barnabas Health Care System)	2028	4.20-5.25	59,715	63,690
Christ Hospital, Series 1998 A-2	2013	Weekly or Term rate	3,300	3,500
Christian Health Care Center, Series 1998 A-3	2018	Weekly or Term rate	800	800
Holy Name Hospital, Series 1998 A-4	2018	Weekly or Term rate	7,000	7,300
Pascack Community Services, Series 1998 A-5	2008	Weekly or Term rate	*	600
United Methodist Homes of NJ Foundation, Inc., Series 1998 A-6	2007	Weekly or Term rate	2,000	2,500
CentraState Medical Center Obligated Group, Series 1998	2028	3.85-4.65	55,565	56,790
Pascack Valley Hospital Association, Series 1998	2028	4.35-5.125	34,890	35,600
Virtua Health Inc., Series 1998	2028	4.00-5.25	132,700	139,075
Saint Barnabas Health Care System, Series 1998B	2028	0.00-5.25	458,493	458,493
Catholic Health East, Series 1998E	2029	4.00-5.25	63,125	64,275
Barnert Hospital, Series 1999	2025	4.00-5.00	29,865	30,685
Palisades Medical Center of New York Presbyterian Health Care System Obligated Group, Series 1999	2028	4.65-5.25	28,630	28,630
The Avalon at Bridgewater Assisted Living Project, Series 1999A	2029	6.625-6.75	6,630	6,630

\*Defeased and/or retired

New Jersey Health Care Facilities  
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Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
The Avalon at Bridgewater Assisted Living Project, Series 1999B	2008	9.25-9.75	\$ 485	\$ 575
Burdette Tomlin Memorial Hospital, Series 1999	2029	4.95-5.60	24,185	24,185
Meridian Health System Obligated Group, Series 1999	2029	4.40-5.625	234,280	238,120
Beth Israel Hospital Association of Passaic, Series 1999A-1	2014	Weekly or Term rate	*	11,300
Holland Christian Home Association, Series 1999A-2	2019	Weekly or Term rate	3,700	3,800
The Medical Center at Princeton, New Jersey Series 1999A-3	2004	Weekly or Term rate	2,200	4,300
St. Mary's Hospital, Passaic, New Jersey, Series 1999A-4	2019	Weekly or Term rate	8,600	8,900
Trinitas Hospital Obligated Group, Series 2000	2030	6.25-7.50	81,100	81,930
Hackensack University Medical Center, Series 2000	2034	5.125-6.125	85,335	85,335
Saint Barnabas Health Care System, Series 1998C	2018	5.00-5.25	12,075	12,075
Hackettstown Community Hospital, Series 2000	2030	Floating Rate	*	16,565
Robert Wood Johnson University Hospital, Series 2000	2031	5.20-5.75	129,640	129,640
Muhlenberg Regional Medical Center, Series 2000	2018	4.50-5.50	23,250	24,295
NewSeasons of Mt. Arlington Assisted Living Project, Series 2000A	2030	8.75	*	10,400
NewSeasons of Mt. Arlington Assisted Living Project, Series 2000B	2010	10.75	*	1,030
The Society of the Valley Hospital Obligated Group, Series 2000	2031	4.50-5.75	40,000	40,000
Saint Peter's University Hospital Obligated Group, Series 2000A	2030	6.875	36,795	36,795
Saint Peter's University Hospital Obligated Group, Series 2000B	2030	Floating Rate	29,280	29,280
Saint Peter's University Hospital Obligated Group, Series 2000C	2030	Floating Rate	5,720	5,720
Southern Ocean County Hospital, Series 2001	2031	4.00-5.125	25,375	25,815

\*Defeased and/or retired

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Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
The House Of The Good Shepherd Obl. Grp., Series 2001	2031	3.50-5.20	\$ <b>19,810</b>	\$ 19,810
Jersey City Medical Center Series 2001	2041	2.95-5.00	<b>200,000</b>	200,000
Kennedy Health System Obl. Grp., Series 2001	2031	5.50-5.625	<b>43,890</b>	43,890
St. Barnabas Health Care System Series 2001A	2031	Weekly Rate	<b>36,900</b>	39,500
St. Barnabas Health Care System Series 2001B	2031	Auction Rate	<b>76,750</b>	78,175
Newton Memorial Hospital Series 2001	2026	2.50-5.250	<b>14,590</b>	15,000
Meridian Hospital Corp. Series 2001 A-1	2006	Weekly or Term rate	<b>12,200</b>	15,000
Holy Name Hospital Series 2001 A-2	2006	Weekly or Term rate	<b>3,700</b>	4,300
Capital Health System Series 2001 A-3	2006	Weekly or Term rate	*	14,600
Bayshore Community Hospital, Series 2002	2032	3.00-5.125	<b>48,740</b>	49,740
Atlantic City Medical Center, Series 2002	2025	3.65-6.25	<b>113,205</b>	115,875
Palisades Medical Center of NY Presbyterian Health Care System Obl. Grp., Series 2002	2031	4.00-6.625	<b>15,125</b>	15,760
South Jersey Hospital, Series 2002	2032	4.375-6.00	<b>170,470</b>	171,580
RWJ Health Corp. at Hamilton, Series 2002	2032	Daily/weekly/ term rate or flexible rate mode	<b>31,000</b>	31,000
Wiley Mission Project Series 2002	2029	Floating rate	<b>13,770</b>	13,770
Englewood Hospital and Medical Center Series 2002	2031	2.80-5.25	<b>99,955</b>	99,955
Catholic Health East, Series 2003A	2033	2.00-5.375	<b>47,200</b>	
Meridian Health System Obligated Group, Series 2003A	2033	Daily/Weekly/ Term Rate or Flexible Rate Mode	<b>60,000</b>	
Meridian Health System Obligated Group, Series 2003B	2033	Daily/Weekly/ Term Rate or Flexible Rate Mode	<b>40,000</b>	
Pascack Valley Hospital Association, Series 2003	2036	6.00-6.625	<b>51,205</b>	

\*Defeased and/or retired



New Jersey Health Care Facilities  
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Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
			<i>(\$000)</i>	
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
Somerset Medical Center, Series 2003	2033	5.50-5.75	\$ 81,390	
The Community Hospital Group, Inc., Series 2003A-1		Weekly or Term Rate	20,000	
The Matheny School and Hospital Inc., Series 2003 A-2	2023	Weekly or Term Rate	3,500	
Robert Wood Johnson University Hospital, Inc., Series 2003 A-3	2023	Weekly or Term Rate	25,000	
Saint Clare's Hospital, inc., Series 2003 A-4	2018	Weekly or Term Rate	15,400	
St. Francis Medical Center, Series 2003 A-5	2018	Weekly or Term Rate	3,100	
St. Joseph's Wayne Hospital, Inc., Series 2003 A-6	2018	Weekly or Term Rate	6,500	
Virtua Health Inc., Series 2003 A-7	2018	Weekly or Term Rate	11,000	
Shore Memorial Health Care System, Obligated Group, Series 2003	2023	2.00-5.00	31,205	
Rahway Hospital, Series 2003 A-8	2023	Weekly or Term Rate	11,000	
AHS Hospital Corporation, Series 2003	2025	Auction Rate	75,075	
Capital Health System Obligated Group, Series 2003 A	2033	2.00-5.75	101,560	
Capital Health System Obligated Group, Series 2003 B	2033	Floating Rate	30,000	
Jersey City Medical Center, Series 2003	2030	2.00-4.80	16,440	
Greystone Park Psychiatric Hospital Project, Series 2003	2025	2.00-5.00	19,125	
Total public issues			<u>4,692,813</u>	\$4,322,133

New Jersey Health Care Facilities  
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Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
<b>Revenue bonds (continued)</b>				
Private placements:				
St. Mary's Catholic Home, Series A	2018	6.75	\$ 3,858	\$ 4,007
William B. Kessler Memorial Hospital, Series A	2005	78% of index rate	586	937
St. Ann's Home for the Aged, Series 1996	2011	8 year Treasury index	7,919	8,145
CentraState Assisted Living, Inc., Series 1998	2018	4.57% thru 2008-then 10 year	7,625	7,810
Bartley Assisted Living LLC, Series 2000	2025	Treasury index 6.28% for a 5 year period-then adjusted every 5 years; at a fixed rate based on weekly average U.S. Treasury Securities yield	9,621	9,833
Healthcare Centers of Wayne, Inc., Series 2000	2025	6.10% for a 5 year period; then adjusted every 5 years at a fixed rate based on weekly average U.S. Treasury Securities yield	8,999	8,999
JFK Assisted Living Series 2001	2026	5.65% for a 10 year period; then adjusted for 10 years then another 5 years at a fixed rate per annum equal to the then-in- effect weekly average U.S. Treasury Securities yield	13,506	13,760
Hartwyck West Nursing Home Series 2001	2008	5.65	1,097	1,289

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Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
<b>Revenue bonds (continued)</b>				
Private placements (continued):				
Warren Hospital Obligated Group, Series 2002	2027	5.55% until 2009; then a fixed rate based on the 7 year treasury index plus 150 basis points	\$ 14,490	\$ 14,788
Cathedral Health Services, Inc. Series 2002A	2008	until maturity 4.69	2,405	2,855
Cathedral Health Services, Inc. Series 2002B	2008	4.69	6,297	7,477
Cathedral Health Services, Inc. Series 2002C	2017	5.85	4,332	4,400
Beth Israel Hospital Association, Series 2003	2010	5.00% thru December 31, 2006; then greater of 5.00% or the rate equal to the 3-year T- Note plus 250 basis points		
			<b>30,600</b>	
Total private placements			<b>111,335</b>	84,300
Capital Asset Program:				
Capital Asset Program, Series A, B, C, D	2035	Variable rate	100,000	100,000
Total Capital Asset Program			<b>100,000</b>	100,000
Equipment revenue notes:				
Barnert Hospital, Series 2003	2009	4.77	5,500	
Total revenue bonds			<b>\$4,909,648</b>	<b>\$4,506,433</b>

\*Defeased and/or retired

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Notes to Supplemental Financial Information (continued)

**8. Revenue Bonds and Notes (continued)**

The aggregate maturities and interest payments of outstanding bonds and notes for the next five years and thereafter are:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<i>(\$000)</i>		
2004	\$ 127,206	\$ 206,087	\$ 333,293
2005	136,175	200,411	336,586
2006	141,856	194,410	336,266
2007	142,144	188,023	330,167
2008	159,516	181,809	341,325
Thereafter	4,202,751	2,080,029	6,282,780
	<b>\$4,909,648</b>	<b>\$3,050,769</b>	<b>\$7,960,417</b>

**9. Compliance with Bond Provisions**

Each bond issue has covenants stipulating certain financial ratios and permitted indebtedness limits with which the health care organizations must comply throughout the term of the related debt. The Authority has developed a compliance program to monitor the borrower's compliance with the terms and provisions of the related bond documents.

In the event an organization violates any of the said covenants, the bond documents outline various actions to be taken by the borrower, trustee and/or the Authority ranging from requiring an independent consultant's report related to the reasons for violations, to the appointment of a third-party to take over the management of the organization.

If an Event of Default, as defined in the Series Resolution, or the Authority's General Resolution does occur, the trustee may, and upon request of the required percentage of holders in principal amount of the outstanding bonds of the applicable series, shall declare the principal immediately due and payable from the respective borrower within thirty days of written notification to the Authority or the trustee.

The Authority routinely monitors the financial condition of all borrowers to determine compliance with the requirements pursuant to related bond documents. As of December 31, 2003, there were no Events of Default for any of the Authority's bond issues.

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**10. Defeased Issues**

When conditions have warranted, the Authority has sold various issues of bonds to provide for the refunding of previously issued obligations.

The proceeds received from the sales of these bond issues are used to refund the outstanding bond issues or to deposit in an irrevocable escrow account held by an escrow agent, an amount which, when combined with interest earnings thereon, is sufficient to pay the principal and interest on the defeased bonds when due. The escrow accounts meet the criteria under generally accepted accounting principles for a refunding and, accordingly, the escrow account assets and the liability for refunded bonds are not included in the Authority's financial statements.

Certain refundings result in annual debt service savings compared to the original debt service requirements. The debt service savings, together with any accounting gain or loss to be deferred, accrue to the respective organizations.

A summary of outstanding balances as of December 31, 2003 and 2002, by issue, is as follows:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
Defeased public issues:				
Community Hospital Group, Inc., Series A	2005	5.80	\$ 880	\$ 1,320
Chilton Memorial Hospital, Series A	2004	6.25	200	360
Shore Memorial Hospital, Series A	2006	8.90	1,355	1,745
Community Memorial Hospital Association (Toms River), Series A (currently Community Medical Center, a part of Saint Barnabas Health Care System)	2009	6.75	4,925	5,570
The Overlook Hospital Association, Series C (currently a part of AHS Hospital Corporation)	2011	6.90	9,015	9,840

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**10. Defeased Issues (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
Defeased public issues (continued):				
Hackensack Hospital, Series A (currently Hackensack University Medical Center)	2009	8.75	\$ 9,740	\$ 11,365
Mercer Medical Center, Series B (currently a part of Capital Health System)	2008	7.00	5,040	5,865
Monmouth Medical Center, Series A (currently a part of Saint Barnabas Health Care System)	2009	6.70	4,420	5,155
Our Lady of Lourdes, Series A (currently a part of Catholic Health East)	2006	8.625	1,230	1,640
St. Francis Hospital, Series A (currently a part of Bon Secours New Jersey Health System, Inc.)	2012	8.00	11,615	12,490
Bridgeton Hospital Association, Series B (currently a part of South Jersey Hospital System)	2013	6.00	4,370	4,370
Saint Barnabas Medical Center, Series A (currently a part of Saint Barnabas Health Care System)	2011	7.00	6,180	6,955
Burlington County Memorial Hospital, Series C (currently a part of Virtua Health, Inc.)	2012	6.00	10,500	10,500
East Orange General Hospital, Series A	2007	6.70	1,635	1,980
Point Pleasant Hospital, Series A (currently a part of Meridian Health System, Inc.)	2010	7.30	5,195	5,755
Morristown Memorial Hospital, Series C (currently a part of AHS Hospital Corporation)	2003	7.00		1,300
The General Hospital Center at Passaic, Series 1994 (currently a part of AHS Hospital Corporation)	2019	6.00-6.75	59,455	61,585
Allegany Health-Our Lady of Lourdes, Series 1993 (currently a part of Catholic Health East)	2018	4.70-5.20	37,580	39,220
Wayne General Hospital, Series B (currently a part of Saint Barnabas Health Care System)	2004	5.30-5.875	8,995	10,510
Monmouth Medical Center, Series C (currently a part of Saint Barnabas Health Care System)	2004	6.25	68,045	69,035

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**10. Defeased Issues (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
(\$000)				
Defeased public issues (continued):				
Newark Beth Israel Medical Center, Series 1994 (currently a part of Saint Barnabas Health Care System)	2004	6.00	\$ 85,685	\$ 87,750
Irvington General Hospital, Series 1994 (currently a part of Saint Barnabas Health Care System)	2004	5.875-6.40	14,655	15,715
Riverview Medical Center, Series 1994 (currently a part of Meridian Health System, Inc.)	2004	5.20-6.25	48,295	50,330
St. Mary Hospital, Series 1993 (currently a part of Bon Secours and Canterbury Partnership for Care)	2012	5.875	17,650	19,110
Bayshore Community Hospital, Series 1994	2009	0.00	2,010	2,434
South Jersey Hospital System, Series 1994	2004	6.00	10,095	10,570
Englewood Hospital and Medical Center, Series 1994	2004	6.75	25,415	25,980
New Seasons of Mt. Arlington Assisted Living Project, Series 2000B	2010	10.75	940	
Mercer Medical Center, Series 1991 (currently part of Capital Health System)	2004	6.25-6.50	37,030	
Total defeased public issues			<u>492,150</u>	<u>478,449</u>
Defeased private placements:				
Zurbrugg Memorial Hospital, Series A (currently Rancocas Hospital, a part of Catholic Health East)	2004	7.375	415	800
Burdette Tomlin Memorial Hospital, Series A	2005	7.25	600	870
Saint Peter's Medical Center, Series A (currently Saint Peter's University Hospital)	2009	7.125	891	1,037
St. Elizabeth Hospital, Series A (currently Trinitas Hospital)	2009	6.00	6,000	6,000
Christian Health Care Center, Series C	2006	8.75	13,740	14,180
Total defeased private placements			<u>21,646</u>	<u>22,887</u>

New Jersey Health Care Facilities  
Financing Authority

Notes to Supplemental Financial Information (continued)

**10. Defeased Issues (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2003	2002
<i>(\$000)</i>				
Partially defeased public issues:				
Union Hospital/MegaCare Obligated Group, Series 1993 (currently a part of Saint Barnabas Health Care System)	2003	5.50-5.875		\$ 10,605
Bayonne Hospital Obligated Group, Series 1994	2004	6.00-6.40	\$ 3,020	3,265
Jersey Shore Medical Center, Series 1994 (currently a part of Meridian Health System, Inc.)	2004	5.60-6.75	41,610	41,610
South Jersey Hospital System	2004	5.30-6.00	6,355	6,655
Total partially defeased public issues			<u>50,985</u>	<u>62,135</u>
Total defeased issues			<u>\$564,781</u>	<u>\$563,471</u>