NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

ANNUAL FINANCIAL REPORT

December 31, 2013

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

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MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Health Care Facilities Financing Authority (the "Authority"), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2013 and 2012, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Healthcare Plan on pages four through eleven and page twenty-five, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information – Schedule of Expenditures of Federal Award

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information which consists of the schedule of expenditures of federal award is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization,* and is not a required part of the basic financial statements.

The schedule of expenditures of federal award is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal award is fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Supplementary Information - Trustee Held Funds

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other supplementary information - trustee held funds section is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The trustee held funds statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the trustee held fund statements, themselves. Such information has been subjected to the auditing procedures applied in the audit of the trustee held funds statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the trustee held funds statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the trustee held funds statements are fairly stated in all material respects in relation to the conduit debt the Authority issues on behalf of healthcare organizations as described in Note A of the notes to supplementary information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 27, 2014 and March 12, 2013, for the years ended December 31, 2013 and 2012, respectively, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report dated March 27, 2014, is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 27, 2014

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 years ended December 31, 2013 and 2012. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

The Authority's total net position increased $894,000 or 8.1%
Cash and cash equivalents increased $488,000 or 7.2%
Operating revenue increased $182,000 or 4.6%
Operating expenses decreased $134,000 or 4.0%
Operating income increased $316,000 or 55.1%

Overview of the Financial Statements

This annual financial report consists of five parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information – federal award, and other supplementary information - trustee held funds. 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 Position – The following table presents the changes in net position between December 31, 2013, 2012 and 2011:

	2013	2012	2011	Increase/ (Decrease) 2012-2013	%
	($000)	($000)	($000)	($000)	(%)
Current assets	**$13,364**	$12,140	$11,054	$ 1,224	10.1
Noncurrent assets	**644**	942	1,240	(298)	(31.6)
Total assets	**14,008**	13,082	12,294	926	7.1
Current liabilities	**2,143**	2,111	1,900	32	1.5
Total liabilities	**2,143**	2,111	1,900	32	1.5
Total net position	**$ 11,865**	$10,971	$10,394	$ 894	8.1

Current assets are comprised of cash and cash equivalents (operating account and Federally Qualified Health Centers ("FQHC") loan program), administrative fees and other receivables, note receivables, note interest receivables and prepaid expenses. Current assets increased 10.1% from December 31, 2012 to December 31, 2013. As of December 31, 2013, the majority of the cash and cash equivalents were held in the New Jersey Cash Management Fund ("NJCMF"), a liquid short-term investment vehicle. The yield on the NJCMF at December 31, 2013 and 2012 was 0.06% and 0.08%, respectively. Overall, the operating account cash and cash equivalents increased $180,000 while the FQHC loan program cash and cash equivalents increased $308,000. The operating account cash and cash equivalents only increased slightly due to the transfer of $880,774 from the operating account on May 14, 2013, to the Authority's post-retirement health benefits trust (the "trust") in order to fully fund the trust through December 31, 2015. The amount of the transfer was a result of the actuarial valuation that was completed in April of 2013. For more information on the Authority's post-retirement health benefits refer to Note F to the financial statements. The increase in the FQHC loan program cash and cash equivalents was due to the principal and interest received on the loan the Authority provided to Lakewood Resource and Referral Center, Inc. an FQHC. The FQHC loan program is further described in Note D to the financial statements.

Administrative fees and other receivables increased overall by $124,000. The majority of the receivables consist of the Authority's semi-annual fee billings that were invoiced on December 31, 2013 and 2012, in the amounts of $1,930,401 and $1,903,191, respectively, or an increase of $27,210. Even though there were twelve financings completed in 2013, there was only a slight increase in the December 31, 2013, semi-annual fee billing due to fees being based on a declining balance calculation, bond issues being partially and/or completely paid off ahead of schedule and a number of new issues refinancing prior issues which does not add any additional fees because it is a refinancing. It should be noted that, at December 31, 2013, there was a receivable outstanding from the June 30, 2013 and December 31, 2012, semi-annual fee billings in the amounts of $19,518 and $20,378, respectively. By comparison, at December 31, 2012, there was a receivable outstanding in the amount of $20,378 from the June 30, 2012, semi-annual fee billing. Also increasing was the receivables for trustee fees and reimbursement due from the New Jersey Department of Health ("DOH") for services that the Authority provides to the DOH. Those receivables increased $5,916 and $55,612, respectively. The trustee fees receivable fluctuates from year to year depending on the timing of the invoices received from the trustees and the timing of the payments received from the health care institutions with which the Authority has outstanding debt. However, in this particular case the increase is due in part to two trustee fees still outstanding from a billing done in April of 2013. The increase in the receivable from the DOH is due in part to the reimbursement for the billing done on September 30, 2013, not being received until January 10, 2014, and the addition of a receivable for financial advisory services. The billings for the financial advisory services did not begin until 2013. Finally, the note receivable-designated FQHC loan program and the note interest receivable-designated FQHC loan program are further described in Note D to the financial statements.

Prepaid expenses increased due in part to the actuarial valuation completed in 2013 for the Authority's post-retirement health benefits. A valuation is required to be completed every three years and the last one completed for the Authority prior to 2013, was in 2010. The valuation completed in 2013 provided the Authority with the post-retirement liability cost for 2013, 2014 and 2015. As stated previously, after completion of the valuation the Authority transferred $880,774 from the Authority's operating account to the trust in order to fully fund the trust. The prepaid recorded for the trust as of December 31, 2013 and 2012 was $3,507,255 and $2,906,215, respectively. Further, each year the Authority's Annual Required Contribution ("ARC") is charged to expense and for 2013 and 2012 those amounts were $280,000 and $268,000, respectively. In addition, prepaid insurance increased due to an increase in the Authority's directors and officers liability policy, prepaid software maintenance and maintenance on equipment increased due to the addition of new software maintenance and equipment maintenance contracts in 2013.

When comparing current assets as of December 31, 2012 to December 31, 2011, current assets increased 9.8%. Overall, the operating account cash and cash equivalents increased $1,107,000 while the FQHC loan program cash and cash equivalents increased $314,000. The increase in the operating account cash and cash equivalents was due in part to the receipt of the Authority's annual fees. The increase in the FQHC loan program cash and cash equivalents was due to the principal and interest received on the loan the Authority provided to Lakewood Resource and Referral Center, Inc., as mentioned previously. Regarding the administrative fees and other receivables, they decreased by $65,000 from December 31, 2011. The Authority's semi-annual fee billings that were invoiced on December 31, 2012 and 2011, totaled $1,903,191 and $1,982,448, respectively, or a decrease of $79,257. The decrease in the semi-annual fee billing was due in part to: (1) a couple of health care systems refinancing several of their old bond issues with one new bond issue wherein the fee for the new bond issue is capped; (2) several health care institutions partially and/or completely paying off their bond issues ahead of schedule; and (3) a couple of health care institutions refinancing their outstanding debt through another entity. In addition, at December 31, 2012, there was still a receivable outstanding in the amount of $20,378 from the June 30, 2012, semi-annual fee billing. Also decreasing was the receivable for trustee fees and mortgage servicing fees. Those receivables decreased $6,135 and $3,252, respectively. The decrease in the trustee fees receivable was due in part to the same issues that affected the decrease in the semi-annual fee billings. The mortgage servicing fees receivable decreased due to the Authority's portfolio no longer containing any FHA-Insured bond issues. The FHA-Insured bond issue that the Authority was mortgage servicer for, refinanced out of the portfolio on June 27, 2012.

Prepaid expenses from December 31, 2011 to December 31, 2012, decreased in part due to the recording of the expense for the Authority's ARC for its post-retirement health benefits. Those amounts were $268,000 and $255,000 as of December 31, 2012 and 2011, respectively. The prepaid balance as of December 31, 2012 and 2011 was $2,906,215 and $3,173,822, respectively.

Noncurrent assets represent the Authority's capital assets which include furniture, leasehold improvements, equipment and automobiles whose costs are in excess of $1,000, net of accumulated depreciation, and the portion of the note receivable-designated FQHC loan program outstanding from Lakewood Resource and Referral Center, Inc. that exceeds one year as further described in Note D to the financial statements. Noncurrent assets at December 31, 2013, decreased $298,000 when compared to December 31, 2012. The decrease was due in part to the repayments on the Lakewood Resource and Referral Center, Inc. note receivable. In addition, in 2013 only three items were purchased that were classified as capital assets and the Authority disposed of some obsolete computer equipment. It should be noted that a majority of the Authority's capital assets have been fully depreciated.

Noncurrent assets at December 31, 2012, also decreased $298,000 when compared to December 31, 2011. The decrease was due in part to the repayments on the Lakewood Resource and Referral Center, Inc. note receivable and the disposal of some obsolete computer equipment in 2012, again with only three items purchased that could be classified as capital assets.

Current liabilities in 2013 are comprised of accounts payable, accrued expenses and unearned revenue-annual fees, and section 142(d) fees and increased $32,000 or 1.5% when compared to December 31, 2012. Accounts payable and accrued expenses decreased $66,000 or 17.1% when compared to December 31, 2012. Accounts payable decreased by $72,577 while accrued wages increased by $6,158. Regarding, accounts payable, there were a few payables at the end of 2012 that did not reoccur at the end of 2013. Concerning accrued wages, there were twelve days accrued at December 31, 2013, compared to eleven days accrued at December 31, 2012. Unearned revenue-annual fees increased $104,000 or 6.2% compared to December 31, 2012. It represents the semi-annual fees billed on December 31, 2013 and 2012, which cover the periods January 1, 2014 to June 30, 2014, and January 1, 2013 to June 30, 2013, respectively. Financings completed since January 1, 2003, are billed in advance. The unearned revenue-annual fees increase is due to financings completed since December 31, 2012. Unearned revenue-section 142(d) fees decreased $6,000 or 10.3%. Those fees represent the prepayment from a client institution to the Authority in order to compensate the Authority for monitoring the financings completed under section 142(d) of the internal revenue code. An amount will be amortized each year from unearned revenue-section 142(d) fees to the section 142(d) fees income account, up to and including year 2022 when monitoring will cease on this particular client institution.

Current liabilities in 2012 increased $211,000 or 11.1% when compared to December 31, 2011. Accounts payable and accrued expenses increased $92,000 or 31.2%. The increases related to the accruals for the governor's authorities unit annual assessment, accrued wages and accrued vacation. Further, there was the addition of a payable for appraisal services and the addition of an accrual for financial advisory services and special tax counsel legal fees. Unearned revenue-annual fees increased $124,000 or 8.0% when compared to December 31, 2011. It represents the semi-annual fees billed on December 31, 2012 and 2011, which cover the periods January 1, 2013 to June 30, 2013, and January 1, 2012 to June 30, 2012, respectively. The unearned revenue-annual fees increase is due to financings completed since December 31, 2011. Unearned revenue-section 142(d) fees decreased $5,000 or 7.9%. See the above paragraph regarding the description of unearned revenue-section 142(d) fees.

Changes in Net Position – The following table presents the changes in net position for the years ended 2013, 2012 and 2011:

	2013	2012	2011	Increase/ (Decrease) 2012-2013	%
	($000)	($000)	($000)	($000)	(%)
Operating revenues					
Administrative fees					
Annual fees	**$3,764**	$3,728	$3,796	$ 36	1.0
Initial fees	**172**	96	110	76	79.2
Per series/per master lease fees	**148**	56	75	92	164.3
Mortgage servicing and section 142 (d) fees	**24**	40	64	(16)	(40.0)
Note interest income designated FQHC loan program	**21**	27	34	(6)	(22.2)
Total operating revenues	**4,129**	3,947	4,079	182	4.6
Operating expenses					
Salaries and related expenses	**2,258**	2,304	2,163	(46)	(2.0)
General and administrative expenses	**564**	572	559	(8)	(1.4)
Provision for postemployment Benefits	**280**	268	255	12	4.5
Professional fees and other	**137**	229	213	(92)	(40.2)
Total operating expenses	**3,239**	3,373	3,190	(134)	(4.0)
Operating income	**890**	574	889	316	55.1
Nonoperating revenues (expenses)					
Interest income	**4**	3	11	1	33.3
Other	**-**	-	12	-	n/a
Health information exchange grant income	**4,050**	2,215	3,222	1,835	82.8
Health information exchange grant expenses	**(4,050)**	(2,215)	(3,222)	1,835	82.8
Total nonoperating revenues (expenses)	**4**	3	23	1	33.3
Changes in net position	**894**	577	912	317	54.9
Net position, beginning of year	**10,971**	10,394	9,482	577	5.6
Net position, end of year	**$ 11,865**	$ 10,971	$10,394	$ 894	8.1

The Authority's net position increased $894,000 or 8.1% from December 31, 2012 to December 31, 2013. In addition, when comparing the change in net position amount to the prior year, there was an increase of $317,000 or 54.9% from 2012 to 2013. The increase in operating revenues along with the decrease in operating expenses are the main reason for the increase in the Authority's change in net position.

By contrast, the Authority's net position increased $577,000 or 5.6% from December 31, 2011 to December 31, 2012. However, when comparing the change in net position amount, there was a decrease of $335,000 or 36.7% from 2011 to 2012. The decrease in the change in net position from 2011 to 2012 was attributable to the decrease in operating revenues and an increase in operating expenses.

Operating revenues - During 2013, total operating revenues increased $182,000 or 4.6%. Annual fees, initial fees, per series/per master lease fees, increased $36,000, $76,000 and $92,000, respectively when compared to 2012. The increase is due to financing activity increasing in 2013 when compared to 2012. Regarding initial fees and per series/per master lease fees, the collection of those fees can fluctuate from year to year depending on Authority financing activity, the financing needs of the health care institutions, the actual/estimated bond/master lease size and the current economic client. In 2013, eleven (11) initial fees, sixteen (16) per series fees and three (3) per master lease fees were received compared to seven (7) initial fees, six (6) per series fees, and three (3) per master lease fees received in 2012. Offsetting those increases slightly were decreases in mortgage servicing fees and note interest income-designated FQHC loan program in the amounts of $16,000 and $6,000, respectively. As mentioned previously, mortgage servicing fees decreased due to the Authority's portfolio no longer containing any FHA-Insured bond issues. The FHA-Insured bond issue that the Authority was mortgage servicer for, refinanced out of the portfolio on June 27, 2012. Finally, the note interest income-designated FQHC loan program amount is the interest earned on the Lakewood Resource and Referral Center, Inc. loan issued on January 29, 2010, as further described in Note D to the financial statements. For 2013, the interest earned totaled $21,000 compared to $27,000 for 2012.

When comparing operating revenues during 2012 to 2011, there was a decrease of $132,000 or 3.2%. Annual fees, initial fees, per series/per master lease fees, mortgage servicing fees and note interest income-designated FQHC loan program decreased $68,000, $14,000, $19,000, $24,000 and $7,000, respectively. Concerning annual fees, as mentioned previously, the decrease was due in part to: (1) a few health care systems refinancing several of their old bond issues with one new bond issue wherein the fee for the new bond issue is capped; (2) several health care institutions partially and/or completely paying off their bond issues ahead of schedule; and (3) a few health care institutions refinancing their outstanding debt through another entity. Regarding Initial fees and per series/per master lease fees, there were two (2) less initial fees, four (4) less per series fees and two (2) more per master lease fees received in 2012 as compared to 2011. Mortgage servicing fees decreased as stated in the above paragraph. Regarding the note interest income-designated FQHC loan program for 2012, the interest earned totaled $27,000 compared to $34,000 for 2011.

Operating expenses – During 2013, operating expenses decreased $134,000 or 4.0% when compared to 2012. Salaries and related expenses decreased due in part to the elimination of one staff position. Under general and administrative expenses, decreases were in the areas such as transportation, office equipment and furniture, computer equipment/services and archiving documents. Concerning professional fees, decreases were in the areas such as financial advisory services and appraisal services. It should be noted, that the Authority began receiving reimbursement from the DOH in 2013 for the financial advisory services. In the area of other expenses, depreciation expense decreased due to a majority of the Authority's depreciable assets being fully depreciated. The only area of increase was under the provision for postemployment benefits. The ARC per the actuarial valuation for 2013 was more than the ARC for 2012.

When comparing operating expenses during 2012 to 2011, there was an increase of $183,000 or 5.7%. The main area of increase in operating expenses was in salaries and related expenses which was due in part to the change in the composition of staff in 2012. Staff positions that had been vacant were filled by July 2012 giving the Authority a total of 27 staff compared to 25 staff for most of 2011 and 26 staff by the end of 2011. In addition, there was an increase in the cost of health benefits. Under general and administrative expenses, increases were in the areas such as rent, single audit fees, meetings/seminars/educational courses and computer equipment/services. Regarding the increase in the provision for postemployment benefits, the ARC per the actuarial valuation for 2012 was more than the ARC for 2011. Another area of increase was in professional fees and other. Concerning professional fees, increases were in the areas such as the governor's authorities unit annual assessment, financial advisory services, special tax counsel legal fees and appraisal services. In the area of other expenses, Depreciation expense decreased due in part to office furniture purchased in 2005 being fully depreciated during 2012.

Nonoperating revenues/(expenses) – During 2013 nonoperating revenues/(expenses) increased $1,000 or 33.3%. Interest income, Health Information Exchange ("HIE") grant income and expenses increased $1,000 and $1,835,000, respectively. Interest income in 2013 and 2012 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCMF which totaled $4,000 in 2013 and $3,000 in 2012. The average yield on the NJCMF for 2013 and 2012 was .06% and .05%, respectively. Finally, the HIE grant income and expenses are as a result of the HIE grant that the Authority received through the American Recovery and Reinvestment Act (ARRA 2009). The income represents the receipt of the grant funds that have been drawn down while the expenses represent distribution of those funds to the grant coordinator – State of New Jersey, to the HIEs created for the purposes of the grant and/or direct payment to the vendors used by the exchanges for grant purposes. The grant is further described in the section of the financial statements entitled "Other Supplementary Information – Federal Award."

When comparing nonoperating revenues/(expenses) during 2012 to 2011 there was a decrease of $20,000 or 87.0%. Interest income, other income, HIE grant income and expenses decreased $8,000, $12,000 and $1,007,000, respectively. Interest income in 2012 and 2011 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCMF which totaled $3,000 in 2012 and $5,000 in 2011. The average yield on the NJCMF for 2012 and 2011 was .05% and .10%, respectively. In addition, in 2011, $6,000 in interest was earned on the Hoboken Municipal Hospital Authority ("HMHA") Note which was paid in full on November 4, 2011. Regarding other income, in 2011, $12,050 was received from the auction of the Authority's remaining 2005 Toyota Prius Hybrid. By contrast, no vehicle was disposed of in 2012. Finally, see the above paragraph regarding the HIE grant income and expenses.

Contacting the Authority's Financial Management

This financial report is designed to provide New Jersey citizens, the Authority's client's 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.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION

	December 31, 2013	December 31, 2012
	($000)	
Assets		
Current assets		
Cash and cash equivalents	$ 6,089	$ 5,909
Cash and cash equivalents - designated FQHC loan program	1,217	909
Administrative fees and other receivables	2,139	2,015
Note receivable - designated FQHC loan program	286	286
Note interest receivable - designated FQHC loan program	2	2
Prepaid expenses	3,631	3,019
Total current assets	13,364	12,140
Noncurrent assets		
Note receivable - designated FQHC loan program	619	905
Capital assets	694	727
Less accumulated depreciation	(669)	(690)
Total noncurrent assets	644	942
Total assets	$ 14,008	$ 13,082
Liabilities and Net Position		
Current liabilities		
Accounts payable and accrued expenses	$ 321	$ 387
Unearned revenue - annual fees	1,770	1,666
Unearned revenue - 142(d) fees	52	58
Total current liabilities	2,143	2,111
Net position		
Invested in capital assets	25	37
Unrestricted		
Undesignated	9,717	8,833
Designated - FQHC loan program	2,123	2,101
	11,865	10,971
Total liabilities and net position	$ 14,008	$ 13,082

See accompanying notes to financial statements.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended December 31, 2013	Year Ended December 31, 2012
	($000)	
Operating revenues		
Administrative fees		
Annual fees	$ 3,764	$ 3,728
Initial fees	172	96
Per series/per master lease fees	148	56
Mortgage servicing fees	-	16
Section 142 (d) fees	24	24
Note interest income - designated FQHC loan program	21	27
Total operating revenues	4,129	3,947
Operating expenses		
Salaries and related expenses	2,258	2,304
General and administrative expenses	564	572
Professional fees	121	202
Provision for postemployment benefits	280	268
Depreciation expense	16	27
Total operating expenses	3,239	3,373
Operating income	890	574
Nonoperating revenues (expenses)		
Interest income from investments	4	3
Health information exchange grant income	4,050	2,215
Health information exchange grant expenses	(4,050)	(2,215)
Total nonoperating revenues	4	3
Changes in net position	894	577
Net position, beginning of year	10,971	10,394
Net position, end of year	$ 11,865	$ 10,971

See accompanying notes to financial statements.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF CASH FLOWS

	Year Ended December 31, 2013	Year Ended December 31, 2012
	($000)	
Cash flows from operating activities		
Cash received from customers	$ 4,082	$ 4,104
Cash payment to suppliers and employees	(3,020)	(2,985)
Cash payment to post-employment health benefits trust	(881)	-
Net cash from operating activities	181	1,119
Cash flows from capital and related financing activities		
Acquisition of capital assets	(4)	(14)
Net cash from capital and related financial activities	(4)	(14)
Cash flows from noncapital financing activities		
Note repaid from client institution - designated FQHC loan program	286	286
Interest received on note - designated FQHC loan program	21	27
Net cash from noncapital financial activities	307	313
Cash flows from investing activities		
Investment income	4	3
Net cash from investing activities	4	3
Net increase in cash and cash equivalents	488	1,421
Cash and cash equivalents, beginning of year	6,818	5,397
Cash and cash equivalents, end of year	$ 7,306	$ 6,818
Operating income	$ 890	$ 574
Adjustments		
Depreciation	16	27
Note interest income - designated FQHC loan program	(21)	(27)
Changes in assets and liabilities		
Administrative fees and other receivables	(124)	65
Prepaid expenses	(612)	269
Accounts payable and accrued expenses	(66)	92
Unearned revenue	98	119
Net cash from operating activities	$ 181	$ 1,119

See accompanying notes to financial statements.

A. ORGANIZATION

The New Jersey Health Care Facilities Financing Authority (the "Authority") is a public body corporate and politic, a political subdivision of the State of New Jersey (the "State") and a public instrumentality organized and existing under and by virtue of the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, N.J.S.A. 26:21:1, *et seq.* (the "Act"). 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, notes and leases 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, without recourse to the Authority.

Further, under the Hospital Asset Transformation Program the Authority, upon written approval of the Treasurer of the State of New Jersey (the "State Treasurer"), may issue bonds in order to satisfy the outstanding bonded indebtedness of any nonprofit hospital in connection with the termination of the provision of hospital acute care services at a specific location that may no longer be necessary or useful for the provision of such care. To secure such bonds, the State Treasurer and the Authority are permitted to enter into one or more contracts providing for the payments by the State Treasurer to the Authority in each State fiscal year, from the State's General Fund, of an amount equivalent to the amount due to be paid in that fiscal year for debt service on such bonds, subject to and dependent upon appropriations being made by the State Legislature for such purpose.

Bonds, notes and leases issued by the Authority are not a debt or liability of the State or the Authority or any political subdivision and do not constitute a pledge of the faith and credit of the State 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, except as noted under the Hospital Asset Transformation Program and Bond Anticipation Notes. The Authority has no taxing power.

A. ORGANIZATION (CONTINUED)

With regards to the Authority's Master Leasing Program, health care systems ("Sublease User") can access tax-exempt equipment leases through a pre-arranged master lease financing. The Lessee (the "Authority") approves the system for a total dollar amount, and the system's members enter into leases over a specific period up to an aggregate dollar amount of leases. The system must enter into a master lease agreement with each separate lessor/equipment vendor. Each of the leases is payable out of revenues derived from the Sublease User and is secured by its own Master Lease and Sublease Agreement. The Master Lease and Sublease Agreement, and the lease payments are not a debt or liability or moral obligation of the State, the Authority or any political subdivision of the State, or a pledge of the faith and credit or taxing power of the State, or the Authority, or any political subdivision of the State, but are special obligations payable solely from the sublease payments and other amounts payable under the Master Lease and Sublease Agreement.

The Authority is exempt from both federal and state taxes.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standards setting body for establishing government accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards recognizes the following hierarchy: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable and cleared by GASB; AICPA Practice Bulletins, if applicable and cleared by GASB; Implementation Guides published by GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standard Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority has elected not to follow FASB pronouncements issued after November 30, 1989. The Authority follows the hierarchy in determining accounting treatment.

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

Operating Revenues and Expenses

Operating revenues and expenses result from providing services to various health care organizations in connection with the issuance of bonds, notes, and/or leases. The Authority's principal operating revenues are the administrative fees that it charges these entities as further explained on page seventeen. Such fees are recognized when earned. 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative Fees

The Authority charges an upfront fee comprised of an initial fee, per series fee or per master lease fee to those health care organizations that have executed a Memorandum of Understanding signifying the organization's intentions to have the Authority finance a project through the issuance of bonds, notes or through the entering of a master lease. A separate application fee is charged to those health care organizations who wish to finance a project through the issuance of a Capital Asset Program Loan. An annual fee is also charged to those health care organizations for which bond sales, note sales and/or lease agreements 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 the organizations. 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. On June 27, 2012, the Authority's mortgage servicing function ended with the refinancing out of our portfolio of an FHA-Insured issue that the Authority was servicing.

Section 142(d) Fees

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

Capital Assets

The Authority capitalizes fixed assets of $1,000 or more. Capital assets as listed below are depreciated over their estimated useful lives using the straight-line method as follows:

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

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 ("NJCMF").

C. CASH AND CASH EQUIVALENTS

The components of cash at December 31, 2013 and 2012, are:

	2013	2012
Cash and cash equivalents	($000)	
Operating checking account	$ 58	$ 117
New Jersey Cash Management Fund	6,031	5,792
New Jersey Cash Management Fund - designated FQHC loan program	1,217	909
Total cash and cash equivalents	$ 7,306	$ 6,818

Currently there are no funds held in investment accounts, however, if the Authority purchased investments, the Authority's investment policy permits the following securities and investment vehicles: (i) Obligations of or guaranteed by the State of New Jersey or the United States of America (including obligations which have been stripped of their unmatured interest coupons, and interest coupons which have been stripped from such obligations); (ii) Obligations issued or guaranteed by any instrumentality or agency of the United States of America, whether now existing or hereafter organized; (iii) Obligations issued or guaranteed by any state of the United States or District of Columbia, so long as such obligations are rated at the time of purchase in either of the highest two credit rating categories by any two nationally recognized securities rating agencies; (iv) Repurchase agreements and guaranteed investment contracts with any banking institution, where such agreement or contract is fully secured by obligations of the kind specified in (i), (ii) or (iii) above, provided that such security is held by a third party and that the seller of such obligations represents that such obligations are free and clear of claims by any other party; (v) Interest-bearing deposits in any bank or trust company provided that all such deposits shall, to the extent not insured, be secured by a pledge of obligations of the kind in (i), (ii) or (iii); (vi) Units of participation in the NJCMF, or any similar common trust fund which is established pursuant to law as a legal depository of public moneys and for which the New Jersey State Treasurer is custodian; and (vii) Shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, and which (1) invests its assets exclusively in obligations of or guaranteed by the United States of America or any instrumentality or agency thereof having in each instance a final maturity date of less than one year from their date of purchase; (2) seeks to maintain a constant net position value per share; and (3) has aggregate net position of not less than $50,000,000 on the date of purchase of such shares.

The NJCMF is a common trust fund administered by the New Jersey Department of the Treasury, Division of Investment. Securities in the NJCMF are insured, registered or held by the division or its agent in the NJCMF's name.

The Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash and Cash Equivalents.

C. CASH AND CASH EQUIVALENTS (CONTINUED)

(a) Custodial Credit Risk - The Authority's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. If the Authority had investment securities they would be exposed to custodial credit risk if the securities were uninsured, were not registered in the name of the Authority or held by either: the counterparty or the counterparty's trust department or agent but not in the Authority's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Authority would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At December 31, 2013 and December 31, 2012, the Authority's bank balance was not exposed to custodial credit risk since the full amount was covered by FDIC insurance. The NJCMF which is administered by the New Jersey Department of the Treasury invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, Short-Term Commercial Paper, U.S. Government Agency Bonds, Corporate Bonds, and Certificates of Deposits.

Agencies that are part of the NJCMF typically earn returns that mirror short-term interest rates. The NJCMF is considered an investment pool and as such is not exposed to custodial credit risk. The Authority does not have a formal policy for deposit custodial credit risk other than to maintain sufficient funds in the checking account to cover checks that have not cleared the account as of a specific date. As of December 31, 2013 and 2012, there were no investments in the Authority's portfolio. The majority of available funds were being held in the NJCMF. The Authority does not have a formal policy for investment securities custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution.

(b) Concentration of Credit Risk - This is the risk associated with the amount of investments the Authority has with any one issuer that exceed five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments were excluded from this requirement. The Authority places no limit on the amount it may invest in any one issuer. The Authority's concentration of credit risk is limited since there were no investments in the Authority's portfolio, as of December 31, 2013 and 2012.

(c) Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Authority does not have an investment policy regarding credit risk except to the extent previously outlined under the Authority's investment policy. The NJCMF is not rated.

C. CASH AND CASH EQUIVALENTS (CONTINUED)

(d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations. The Authority does not have investments, but when they do, the Authority frequently evaluates the Authority's investment portfolio to determine, based on the interest rate environment, if other investment vehicles would provide higher yields at a lower cost and risk.

D. FEDERALLY QUALIFIED HEALTH CENTER ("FQHC") LOAN PROGRAM

At the Authority's meeting on July 23, 2009, the members of the Authority approved the creation of a loan program using the Authority's unrestricted net position that exceeded a six month cash-on-hand reserve (approximately $2 million) to provide funding, including capital and working capital, for start-up FQHCs. The terms of said loans will vary from five to ten years with interest due and computed using the monthly variable rate on the NJCMF plus 2%. The repaid funds will be returned to the FQHC loan program to be lent out in the future to start-up FQHCs.

Consequently, on January 29, 2010, the Authority and Lakewood Resource and Referral Center, Inc. a FQHC, entered into a loan agreement in the amount of $2 million. The executed promissory note (the "Loan") required that commencing March 1, 2010, the outstanding principal amount of the Loan shall be due in eighty-three equal monthly installments of $23,809 with a final principal payment of $23,853 due on February 1, 2017. Further, interest on the Loan became payable commencing March 1, 2010. Interest is computed using the monthly variable rate on the NJCMF plus 2%; this interest is estimated for the maturity schedule below. Security for the Loan is accounts receivable of the Lakewood Resource and Referral Center, Inc. The table below summarizes the Authority's remaining loan payments to be received under this agreement.

Year Ending December 31,	Principal	Estimated Interest	Total
2014	$ 285,708	$ 15,477	$ 301,185
2015	285,708	9,763	295,471
2016	285,708	4,048	289,756
2017	47,662	119	47,781
Total	$ 904,786	$ 29,407	$ 934,193

E. 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 determined by State statute and is based upon an actuarial computation performed by the PERS.

The Authority's total and covered payroll for the years ended December 31, 2013, 2012 and 2011 were, $1,704,820, $1,714,026 and $1,719,625, respectively. Pension costs for the years ended December 31, 2013, 2012 and 2011 were $182,546, $184,712 and $185,377, respectively. Employees of the Authority also contribute a percentage of their wages to the pension system; the percentage of contributions, as determined by PERS, was 6.64% from January 1, 2013 to June 30, 2013; 6.78% from July 1, 2013 to December 31, 2013; 6.5% from January 1, 2012 to June 30, 2012; 6.64% from July 1, 2012 to December 31, 2012; 5.5% from January 1, 2011 to September 30, 2011 and 6.5% from October 1, 2011 to December 31, 2011.

The State of New Jersey, Division of Pension and Benefits, issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at: www.state.nj.us/treasury/pensions.

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Authority sponsors and administers a single employer defined benefit health care plan (the "Plan") that provides postemployment medical coverage for eligible retirees, their spouses/domestic partners and eligible dependent children and continues to be provided on behalf of the surviving spouse/domestic partner or a retiree. The Authority does not issue a publicly available financial report for the Plan. Employees and/or their spouses/domestic partners become eligible for these benefits upon:

- Disability retirement.
- Retirement after 25 years of creditable service in PERS and ten years of service with the Authority.
- Retirement after age 65, 25 years of PERS service, and six years of service with the Authority.
- Retirement after age 62 and 15 years of service with the Authority.

Contributions and benefit provisions for the Plan are established and amended through the members of the Authority and there is no statutory requirement for the Authority to continue this Plan for future Authority employees. The Plan is a non contributory plan with all payments for Plan benefits being funded by the Authority.

The Authority's annual other post-employment benefits ("OPEB") cost for the Plan is calculated based on the annual required contribution ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and interest on the net OPEB obligation and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The Authority is amortizing this liability over a 30-year period using a level dollar method on an open basis. The Authority's annual OPEB cost and net OPEB (prepaid)/obligation for the years ended December 31, 2013 and 2012, and the related information for the Plan are as follows:

	2013	2012
	($000)	
Annual required contributions	$ 280	$ 268
Contributions made	(881)	-
Increase (decrease) in net OPEB obligations	(601)	268
Prepaid OPEB obligation - beginning of year	(2,907)	(3,175)
Prepaid OPEB obligation - end of year	$ (3,508)	$ (2,907)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2013, 2012 and 2011 are as follows:

Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation/ (Prepaid)
December 31, 2013	$ 280	100%	$ (3,508)
December 31, 2012	268	100%	(2,907)
December 31, 2011	255	100%	(3,175)

In 2008, the Authority established an irrevocable trust to provide for the payment of its OPEB obligations.

At January 1, 2013, the actuarial accrued liability for benefits was $5,149,111. At December 31, 2013, funds in the trust totaled $6,027,085. The covered payroll (annual payroll of active employees covered by the Plan) was $1,704,820 for the year ended December 31, 2013, and the ratio of the funded actuarial accrued liability was 354%.

The most recent actuarial valuation date is January 1, 2013. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the January 1, 2013, actuarial valuation, the projected unit credit with benefits attributed from date of hire to the date of decrement method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 12% medical grading down to an ultimate rate of 5%.

G. COMMITMENTS

The Authority has an operating lease commitment for its offices at an annual rental of approximately $286,000 from September 24, 2011 to September 23, 2016.

H. RELATED PARTY TRANSACTIONS

Operating expenses for the years ended December 31, 2013 and 2012, include approximately $298,000 and $255,000, respectively, relating to payment for goods and services provided by various State agencies.

I. CONDUIT DEBT AND MASTER LEASE OBLIGATIONS

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 or 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 years ended December 31, 2013 and 2012, the Authority issued $930,743,036 and $459,392,000, respectively, in conduit debt. The amount of conduit debt outstanding at December 31, 2013 and 2012, totaled $6,275,773,936 and $6,069,686,949, respectively.

Regarding the Master Leasing Program, during the year ended December 31, 2013 and 2012, leases entered into totaled $7,279,039 and $24,908,000, respectively. The amount of lease payments outstanding at December 31, 2013 and 2012, totaled $23,820,688 and $22,200,921, respectively.

J. RISK MANAGEMENT

The Authority maintains a Not-For-Profit Protector Individual and Organization Insurance Policy (Directors and Officers Liability) that provides protection to the Authority's past, present and future members, committee members, officers and staff for official actions that may have been taken while carrying out their normal duties on behalf of the Authority. The Authority's policy which covers the period December 18, 2013 through December 18, 2014, has a $20 million liability limit with a retention level of $175,000 at a premium cost of $77,128.

REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTHCARE PLAN

Actuarial Valuation Date*	Actuarial Value of Assets (in thousands) (a)	Actuarial Accrued Liability Level Dollar (in thousands) (b)	(Funded) Unfunded Actuarial Accrued Liability (in thousands) (b-a)	Funded Ratio (in thousands) (a/b)	Covered Payroll (in thousands) (c)	Actuarial Accrued Liability as a Percentage of Covered Payroll (b-a)/c (in thousands)
January 1, 2013	$ 5,243	$ 5,149	$ (94)	102%	$ 1,705	(5%)
January 1, 2010	3,703	4,642	939	80%	1,640	57%
January 1, 2007	-	3,153	3,153	0%	1,760	179%

*Actuarial valuations are performed every third year. See Note F.

OTHER SUPPLEMENTARY INFORMATION – FEDERAL AWARD

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

YEAR ENDED DECEMBER 31, 2013

Federal Grantor	Federal CFDA Number	Award Number	Program or Award Amount	Grant Period	Current Year's Expenditures	Current Year Non-Federal Share	Cumulative Expenditures	Cumulative Non-Federal Share
*U.S. Department of Health and Human Services:	93.719	90HT0049/01	$ 11,408,594	3/15/2010-3/14/2014	$ 4,049,905	$2,178,272	$9,486,771	$ 3,242,227
Pass-through to the State of New Jersey, Department of Health and Human Services ARRA - State Grants to Promote Health Information Technology								

*Denotes Major Program.

See notes to schedule of expenditures of federal award.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal award includes federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policy

The Authority recognizes grant revenue when earned on an accrual basis; that is, activities prerequisite to obtaining benefit have been completed, such as, complying with the terms and conditions of the grant agreement.

Note 3. Subrecipients

Of the expenditures presented in the schedule of expenditures of federal award, the Authority provided grants to subrecipients as follows:

Subrecipient	Federal CFDA Number	Current Year's Expenditures	Current Year Non-Federal Share
Health-E-Citi-NJ	93.719	$ 688,330	$ 40,364
Jersey Health Connect	93.719	1,431,676	1,630,183
HIT Coordinator-State of New Jersey	93.719	152,114	106,949
Camden HIE	93.719	733,457	344,617
NJ Shine	93.719	644,328	39,180
NJ HIN	93.719	400,000	16,979
Total		$ 4,049,905	$ 2,178,272

Note 4. Current Year Non-Federal Share

Current year Non-Federal Share represents the matching amount requirements met from January 1, 2013 through March 14, 2013, and March 15, 2013 through December 31, 2013. For years beginning October 1, 2012, a match requirement is $1 for each $3 of federal dollars which can be provided through cash and/or in-kind contributions.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

· Material weaknesses identified?	____ yes	X no
· Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Award

Internal control over major program:

· Material weaknesses identified?	____ yes	X no
· Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X none reported

Type of auditors' report issued on compliance for major program: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ yes	X no

Identification of major programs:

Federal CFDA Number	*Federal Grantor*
93.719	ARRA-State Grants to Promote Health Information Technology

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	____ yes	X no

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

OTHER SUPPLEMENTARY INFORMATION – TRUSTEE HELD FUNDS

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF NET POSITION FOR TRUSTEE HELD FUNDS

	December 31, 2013	December 31, 2012
	($000)	
Assets		
Mortgages and loans receivable, net	$ 4,570,826	$ 4,884,572
Capital Asset Program notes receivable, net	58,891	61,854
Equipment revenue notes receivable, net	4,361	5,187
Lease receivable	284,370	171,620
State contract bonds receivable	421,015	429,665
Bond Anticipation notes receivable	150,000	-
Construction/program accounts		
Cash and cash equivalents	442,150	159,530
Investments	30	12,683
Prepaid expenses	10	10
Debt service accounts		
Cash and cash equivalents	157,815	156,205
Investments	3,351	1,309
Receivable from master trustee/institution	9,634	13,909
Debt service reserve accounts		
Cash and cash equivalents	202,701	196,344
Investments	63,906	78,478
Master lease funds		
Cash and cash equivalents	3,154	3,049
Lease payments receivable, net	20,667	19,152
Total assets	$ 6,392,881	$ 6,193,567
Liabilities and net position		
Bonds payable	$ 6,271,395	$ 6,064,482
Revenue notes payable	4,378	5,204
Deferred Income	4	-
Accrued interest payable	92,262	100,863
Accrued expenses	256	242
Master lease payable	23,821	22,201
Capital Asset Program net position	765	575
Total liabilities and net position	$ 6,392,881	$ 6,193,567

See accompanying notes to supplementary information.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A Component Unit of the State of New Jersey)

STATEMENT OF CASH FLOWS FOR TRUSTEE HELD FUNDS

	Year Ended December 31, 2013	Year Ended December 31, 2012
	($000)	
Cash flows from operating activities		
Payments received from institutions under agreements	$ 414,124	$ 534,125
Equity contributions from institutions	1,693	24,407
Disbursements for construction/acquisition and issuance expense	(95,493)	(199,286)
Other (disbursements) receipts	(29,966)	148,417
Net cash from operating activities	290,358	507,663
Cash flows from noncapital financing activities		
Face amount of revenue bonds	930,743	459,392
(Deductions) additions at time of sale, net	(22,285)	7,114
Refunding of pre-existing debt/escrows fund deposit	(456,354)	(338,437)
Net proceeds from sale of revenue bonds	452,104	128,069
Principal/premium paid on revenue bonds	(235,313)	(594,668)
Interest paid on revenue bonds	(242,814)	(254,408)
Net cash from noncapital financing activities	(26,023)	(721,007)
Cash flows from capital financing activities		
Lease escrow deposit	7,279	24,908
Disbursements for equipment	(6,840)	(22,088)
Payments received from institutions under lease/sublease agreements	5,842	3,278
Principal/premium paid on master lease	(5,659)	(2,707)
Interest paid on master lease	(517)	(342)
Net cash from capital financing activities	105	3,049
Cash flows from investing activities		
Net investment in securities	24,446	151,179
Interest on investments	1,806	5,837
Net cash from investing activities	26,252	157,016
Net increase (decrease) in cash and cash equivalents	290,692	(53,279)
Cash and cash equivalents, beginning of year	515,128	568,407
Cash and cash equivalents, end of year	$ 805,820	$ 515,128

See accompanying notes to supplementary information.

A. BACKGROUND – CONDUIT DEBT

As indicated in Note A to the Authority's financial statements, the Authority has the power to issue bonds, notes and enter into lease agreements on behalf of healthcare organizations. Each of the Authority's issues of bonds, notes and leases is payable out of revenues derived from separate organizations and is secured by its own series resolution, note resolution, trust agreement or lease 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 supplementary financial statements include all Trustee Held Funds (the "Funds") maintained by the Authority's various trustees.

Bonds, notes and leases issued by the Authority are not a debt or liability of the State of New Jersey or any political subdivision and do not constitute a pledge of the 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, except as noted under the Hospital Asset Transformation Program and Bond Anticipation Notes. The Authority has no taxing power.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts are maintained in accordance with the requirements of the applicable bond and note resolutions and on the accrual basis of accounting.

Description of Funds - The Authority maintains books of account for each of the issues of debt outstanding for the Funds. The funds 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. The Program was designed to issue loans to certain eligible borrowers for capital asset needs. 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.

- *Master Leasing Program* – Accounts for the receipt and disbursement of funds in connection with leases entered into by the Authority with designated borrowers for leasing of specific equipment as described in the applicable master lease and sublease agreements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the above 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 as well as lease agreements. The resolutions/agreements 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/notes/lease 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 principal and interest.

- 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 principal and interest payable.

- Master Lease Accounts – accounts for the receipt and disbursement of monies held on behalf of sublessee user for the related equipment expenditures and for the payment of the lease principal and interest.

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

C. 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 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 principal and interest 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.

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

As of December 31, 2013 and 2012, mortgages and loans receivable were:

	2013	2012
Mortgages	($000)	
Holy Name Hospital	$ 60,000	$ 60,000
Deborah Heart and Lung Center	17,610	18,885
Somerset Medical Center	78,695	80,080
CentraState Assisted Living, Inc.	5,215	5,509
Total mortgages receivable	$ 161,520	$ 164,474
Loans		
Secured by pledge of collateral with trustees:		
Christian Health Care Center	$ 6,175	$ 6,330
Bartley Assisted Living, LLC	4,966	5,296
JFK Assisted Living	9,323	9,961
Meridian Hospitals Corporation	15,895	16,500
Wiley Mission Project	12,408	13,327
The Matheny School and Hospital	2,000	2,200
Robert Wood Johnson University Hospital	49,285	52,945
St. Francis Medical Center	-	1,300
Virtua Health, Inc.	58,160	60,265
Rahway Hospital	11,000	11,000
Bayshore Community Hospital	910	1,790
South Jersey Hospital, Inc. (currently Inspira Medical Centers, Inc.)	11,830	12,235
Children's Specialized Hospital	45,364	45,755
Recovery Management, Inc.	-	11,710
East Orange General Hospital	7,545	8,415
FitnessFirst Oradell Center, LLC	3,350	4,665
MHAC I, LLC	28,465	29,360
Southern Ocean County Hospital	16,425	16,745
Somerset Medical Center	19,745	21,095
Underwood-Memorial Hospital	52,575	54,350
Kennedy Health Facilities	15,412	15,719
St. Ann's Home for the Aged	11,346	11,535
Bridgeway Assisted Living	4,884	5,073
St. Luke's Warren Hospital	-	42,150

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

	2013	2012
	($000)	
Loans (Continued)		
Secured by pledge of gross receipts under Master Trust Indenture:		
Hackensack Medical Center (currently Hackensack University Medical Center)	$ 418,210	$ 431,610
Saint Peter's Medical Center (currently Saint Peter's University Hospital)	161,890	165,815
Hunterdon Medical Center	45,685	47,145
Pascack Valley Hospital Association	-	28,538
Palisades Medical Center of New York Presbyterian Health Care System Obligated Group	47,555	36,250
Shore Memorial Health Care System	70,629	76,434
South Jersey Hospital System (currently Inspira Medical Centers, Inc.)	142,745	144,285
Raritan Bay Medical Center	38,200	39,800
St. Joseph's Hospital and Medical Center Obligated Group	231,145	234,910
AHS Hospital Corporation	449,340	457,730
Newton Memorial Hospital (currently a part of AHS Hospital Corporation)	9,760	10,325
Kennedy Health System Obligated Group	65,120	66,035
Christian Health Care Center	19,950	20,835
Rahway Hospital Obligated Group	-	5,480
CentraState Medical Center Obligated Group	79,670	81,965
Virtua Health, Inc.	596,835	631,345
Saint Barnabas Health Care System (currently Barnabas Health, Inc.)	162,500	162,525
Catholic Health East	112,705	124,975
Meridian Health System Obligated Group	538,110	524,825
RWJ Health Care Corporation at Hamilton, Obligated Group	104,228	107,220
Trinitas Hospital Obligated Group	124,640	129,170
The House of the Good Shepherd	14,275	14,645
Bayshore Community Hospital	-	38,075
AtlantiCare Regional Medical Center	179,075	186,245
Chilton Memorial Hospital (currently a part of AHS Hospital Corporation)	37,840	38,530
Princeton Healthcare System	225,980	230,000
Holy Name Medical Center	49,295	51,305
Robert Wood Johnson Hospital	296,335	119,300
Barnabas Health. Inc.	508,300	533,685
St. Luke's Warren Hospital Obligated Group	37,410	-
Total loans receivable	5,154,490	5,198,723
Total mortgages and loans receivable	5,316,010	5,363,197
Less cash and investments held by trustees	745,184	478,625
Mortgages and loans receivable, net	$ 4,570,826	$ 4,884,572

D. CAPITAL ASSET PROGRAM NOTES RECEIVABLE

Capital Asset Program notes receivable is 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, 2013 and 2012, Capital Asset Program notes receivable were:

	2013	2012
	($000)	
P.G. Chambers School		
(formerly Children's Center for Therapy and Learning, Inc.)	$ 776	$ 911
Palisades Medical Center, Inc.	417	1,131
Cooper Health System	3,183	3,544
Meridian Nursing and Rehabilitation at Ocean Grove	5,050	5,513
South Jersey Hospital	28,023	32,662
CentraState Medical Center	7,000	8,000
Englewood Hospital	11,037	12,486
Chilton Hospital	4,143	5,072
Total Capital Asset Program notes receivable	59,629	69,319
Less cash and investments held by trustee	738	7,465
Capital Asset Program notes receivable, net	$ 58,891	$ 61,854

E. EQUIPMENT REVENUE NOTES RECEIVABLE

Equipment revenue notes ("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 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.

E. EQUIPMENT REVENUE NOTES RECEIVABLE (CONTINUED)

	2013	2012
	($000)	
Christian Health Care Center	$ 1,855	$ 1,880
Somerset Medical Center	2,523	3,324
Total equipment revenue notes receivable	4,378	5,204
Less cash and investment held by trustee	17	17
Equipment revenue notes receivable, net	$ 4,361	$ 5,187

F. LEASE RECEIVABLE

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 agreed to make major improvements to the leased property and sublease the property back to DHS. Under the sublease, DHS agreed 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 payments of rent or failure by DHS to make sublease payments, if the moneys are not appropriated.

On April 18, 2013, the Authority issued lease revenue bonds in the aggregate principal amount of $210,840,000. Greystone Park Psychiatric Hospital Project 2013A in the principal amount of $50,730,000 was issued to finance the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone Park Psychiatric Hospital, Morris County, New Jersey; and Greystone Park Psychiatric Hospital Refunding Project Series 2013B in an aggregate principal amount of $160,110,000 was issued to refinance all of the Series 2003 and Series 2005 lease revenue bonds.

Also on April 18, 2013, the Authority issued lease revenue bonds in the aggregate principal amount of $73,530,000 to finance the costs of a project consisting of the demolition and remediation of the existing facilities at or related to Marlboro Psychiatric Hospital in Monmouth County, New Jersey and construction of group housing.

F. LEASE RECEIVABLE (CONTINUED)

	2013	2012
	($000)	
Greystone Park Psychiatric Hospital	$ 210,840	$ 171,620
Marlboro Psychiatric Hospital	73,530	-
Total Lease Receivable	$ 284,370	$ 171,620

G. STATE CONTRACT BONDS RECEIVABLE

The Hospital Asset Transformation Act (the "Transformation Act") *(P. L.* 2000, c. 98) amended, and established a Hospital Asset Transformation Program within the Authority for the purpose of providing financial assistance by the Authority to nonprofit hospitals in the State, in connection with the termination of the provision of hospital acute care services at a specific location that may no longer be necessary or useful for the provision of such care under the Act, the Authority, subject to the prior written approval of the State Treasurer, may issue bonds in order to satisfy the outstanding bonded indebtedness of any nonprofit hospital for the purposes outlined in the Act. To secure such bonds, the State Treasurer and the Authority are permitted to enter into one or more contracts providing for the payment by the State Treasurer to the Authority in each fiscal year from the State's General Fund, of an amount equivalent to the amount due to be paid in that fiscal year for the debt service on such bonds, subject to and dependent upon appropriation being made by the State Legislature for such purpose.

At December 31, 2013 and 2012, State contract bonds receivable were as follows:

	2013	2012
	($000)	
St. Mary's Hospital	$ 37,225	$ 39,035
St. Michael's Medical Center, Inc.	233,270	237,705
Solaris Health System	150,520	152,925
Total State contract bonds receivable	$ 421,015	$ 429,665

H. BOND ANTICIPATION NOTES RECEIVABLE

As a result of the New Jersey Medical and Health Sciences Education Restructuring Act (the "Restructuring Act") signed into law on August 22, 2012, the University of Medicine and Dentistry was divided among Rutgers University, Rowan University, and the newly-created stand-alone University Hospital. University Hospital is being re-established with both a new organizational and managerial structure, and as such it has no operating or credit history. By issuing Bond Anticipation Notes ("BANs") on July 1, 2013, University Hospital has an opportunity to establish normative operations and a history of operations, after which it intends to have the Authority issue long-term bond financing. The Act required the State to provide funding to University Hospital sufficient to maintain the level of community services provided as an acute care facility and trauma center. Funding for these BANs is provided by State Appropriations of the type delineated as "Charity Care," "Graduate Medical Educations" and "Hospital Delivery System Reform Incentive Payments" and under any successor programs. As of December 31, 2013, the BAN receivable was $150,000,000.

I. MASTER LEASE RECEIVABLE

For the Authority's Master Leasing Program introduced in 2012, health care systems (sublease user) can access tax-exempt equipment leases through a pre-arranged master lease financing program. The Authority as lessee approves the system for a total dollar amount, and the system's members enter into leases over a specific period up to an aggregate dollar amount of leases. The system must enter into a master lease agreement with each separate lessor/equipment vendor. Each of the leases is payable out of revenues derived from the subleasee user and is secured by its own master lease and sublease agreement. The systems are required to make principal and interest payments to the Authority or trustee bank sufficient to meet the principal and interest requirements of the leases.

At December 31, 2013 and 2012, master lease receivables were as follows:

	2013	2012
	($000)	
St. Barnabas Medical Center	$ 6,153	$ 7,915
Monmouth Medical Center	3,453	3,318
Clara Maass Medical Center	3,487	2,895
Community Medical Center	2,717	3,434
Kimball Medical Center	494	633
Newark Beth Israel Medical Center	5,101	3,570
Barnabas Corporation d/b/a Barnabas Health	2,416	436
Total Master Lease receivable	23,821	22,201
Less cash and investments held by trustee	3,154	3,049
Net Master Lease receivable	$ 20,667	$ 19,152

J. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The components of cash and cash equivalents and investments at December 31, 2013 and 2012, are as follows:

	2013	2012
	($000)	
Cash and cash equivalents		
Money Market Funds (which includes New Jersey Cash Management Fund)	$ 805,820	$ 515,128
Investments		
Investment agreements collateralized	9,750	37,389
U.S. Treasury and Agency obligations	57,537	55,081
Total cash and cash equivalents and investments	$ 873,107	$ 607,598

J. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

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) NJCMF; and (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 a net position of not less than $10,000,000.

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

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.

K. REVENUE BONDS, NOTES AND MASTER LEASES

The security for the revenue bonds and notes is described in Note C and is assigned to the trustee of the bond issue or to the holder of the equipment revenue note. The bonds, notes or leases 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, except as described in Notes G and H.

K. REVENUE BONDS, NOTES AND MASTER LEASES (CONTINUED)

The security for the master lease is described in Note I and is assigned to the trustee of the master lease issue. The master lease and sublease agreement, and the lease payments are not a debt or liability or moral obligation of the State, the Authority or any political subdivision of the State, or a pledge of the faith and credit or taxing power of the State or the Authority, or any political subdivision of the State, but are special obligations payable solely from the sublease payments and other amounts payable under the master lease and sublease agreement.

Revenue bonds, notes and master leases outstanding are comprised of the following:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2013	2012
			($000)	
Revenue bonds				
Public issues				
Deborah Heart and Lung Center, Series 1993	2023	6.20 - 6.30	$ 17,610	$ 18,885
Raritan Bay Medical Center, Series 1994	2027	7.25	38,200	39,800
Christian Health Care Center, Series 1997 B	2028	Weekly variable rate	7,100	7,400
Rahway Hospital Obligated Group, Series 1998	2014	5.00 - 5.125	*	5,480
Christian Health Care Center, Series 1998 A-3	2018	Weekly variable rate	300	300
CentraState Medical Center Obligated Group Series 1998	2028	4.50 - 4.65	40,215	42,055
Pascack Valley Hospital Association, Series 1998	2028	4.70 - 5.125	*	10,884
Virtua Health Inc., Series 1998	2028	4.50 - 5.25	*	23,705
Saint Barnabas Health Care System, Series 1998 B (currently a part of Barnabas Health, Inc.)	2028	0.00 - 5.25	21,206	21,206
Catholic Health East, Series 1998 E	2029	4.30 - 5.25	*	5,445
Palisades Medical Center of New York Presbyterian Health Care System Obligated Group Series 1999	2028	4.65 - 5.25	*	25,565
Newton Memorial Hospital, Series 2001	2026	3.70 - 5.25	9,760	10,325
Bayshore Community Hospital, Series 2002	2032	4.00 - 5.125	*	38,075
Palisades Medical Center of New York Presbyterian Health Care System Obligated Group, Series 2002	2031	5.50 - 6.625	*	10,685
RWJ Health Corporation at Hamilton, Series 2002	2032	Weekly variable rate	23,105	24,145
Meridian Health System Obligated Group, Series 2003 A	2033	Weekly variable rate	60,000	60,000
Pascack Valley Hospital Association, Series 2003	2036	6.00 - 6.625	*	17,654
Somerset Medical Center, Series 2003	2033	5.50 - 5.75	78,695	80,080
The Matheny School and Hospital Inc., Series 2003 A-2	2023	Weekly variable rate	2,000	2,200
Robert Wood Johnson University Hospital, Inc., Series 2003 A-3	2023	Weekly variable rate	11,900	13,900
St. Francis Medical Center, Series 2003 A-5	2018	Weekly variable rate	*	1,300

*Defeased or paid off.

K. REVENUE BONDS, NOTES AND MASTER LEASES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2013	2012
			($000)	
Revenue bonds				
Public issues				
Virtua Health Inc., Series 2003 A-7	2018	Weekly variable rate	4,200	5,000
Shore Memorial Health Care System, Obligated Group, Series 2003	2023	3.00 - 5.00	*	20,905
Rahway Hospital, Series 2003 A-8	2023	Weekly variable rate	11,000	11,000
Greystone Park Psychiatric Hospital Project, Series 2003	2025	3.40 - 5.00	*	14,025
Bayshore Community Hospital, Series 2004 A-1	2014	Weekly variable rate	910	1,790
Meridian Nursing and Rehab, Series 2004 A-3	2035	Weekly variable rate	11,955	12,340
South Jersey Hospital, Inc., Series 2004 A-4	2034	Weekly variable rate	11,830	12,235
RWJ University Hospital, Series 2004	2029	Weekly variable rate	37,385	39,045
Virtua Health, Series 2004	2033	Weekly variable rate	53,960	55,265
Recovery Management System, Inc. Series 2005	2030	Weekly variable rate	*	11,710
RWJ Health Care Corp. at Hamilton, Series 2005 A	2024	Auction rate	*	22,625
RWJ Health Care Corp. at Hamilton, Series 2005 B	2035	4.00 - 5.00	54,085	60,450
Greystone Park Psychiatric Hospital Project, Series 2005	2028	3.50 - 5.00	*	157,595
Children's Specialized Hospital, Project Series 2005 A	2036	5.00 - 5.50	29,995	30,535
Children's Specialized Hospital, Project Series 2005 B	2036	Weekly variable rate	*	15,220
Christian Health Care Center, Series 2005 A-2	2035	Weekly variable rate	5,875	6,030
Hunterdon Medical Center, Series 2006 A	2035	5.125 - 5.25	21,525	21,525
Southern Ocean County Hospital, Series 2006	2036	Weekly variable rate	16,425	16,745
Holy Name Hospital, Series 2006	2036	5.00 - 5.25	60,000	60,000
South Jersey Hospital, Series 2006	2046	5.00	142,745	144,285

K. REVENUE BONDS, NOTES AND MASTER LEASES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2013 ($000)	Amount Outstanding December 31, 2012 ($000)
Revenue bonds				
Public issues				
East Orange General Hospital, Series 2006 A-2	2021	Weekly variable rate	7,545	8,415
Meridian Nursing and Rehabilitation, Series 2006 A-3	2031	Weekly variable rate	3,940	4,160
MHAC I, LLC, Series 2006 A-4	2027	Weekly variable rate	17,550	18,445
MHAC I, LLC, Series 2006 A-5	2036	Weekly variable rate	10,915	10,915
FitnessFirst Oradell Center, LLC, Series 2006 A-6	2031	Weekly variable rate	3,350	4,665
CentraState Medical Center, Series 2006 A	2021	3.625 - 4.00	39,455	39,910
Saint Barnabas Health Care System, Series 2006 A, currently Barnabas Health, Inc.	2029	5.00	63,045	63,070
Saint Barnabas Health Care System, Series 2006 B, currently Barnabas Health, Inc.	2038	0.00	78,249	78,249
Hunterdon Medical Center, Series 2006 B	2036	4.00 - 5.00	16,600	16,800
St. Mary's Hospital, Passaic, New Jersey, Series 2007-1	2027	4.00 - 5.00	27,925	27,925
St. Mary's Hospital, Passaic, New Jersey, Series 2007-2	2018	5.265	9,300	11,110
Catholic Health East Health System, Series 2007 E	2033	Indexed rate	1,395	1,430
Trinitas Hospital Obligated Group, Series 2007 A	2030	4.75 - 5.25	65,050	65,050
Trinitas Hospital Obligated Group, Series 2007 B	2023	5.25 - 8.08	59,590	64,120
AtlantiCare Regional Medical Center, Series 2007	2037	4.00 - 5.00	108,060	110,670
Meridian Health System Obligated Group, Series 2007	2038	5.00	140,950	142,675
Saint Peter's University Hospital Obligated Group, Series 2007	2037	5.25 - 5.75	64,405	65,175
Hackensack University Medical Center, Series 2008	2041	4.00 - 5.375	231,390	236,185
AHS Hospital Corp., Series 2008 A	2023	3.50 - 5.125	143,765	151,095
AHS Hospital Corp., Series 2008 B	2036	Weekly variable rate	88,555	88,555
AHS Hospital Corp., Series 2008 C	2036	Weekly variable rate	88,555	88,555
Underwood-Memorial Hospital, Series 2008	2033	Weekly variable rate	52,575	54,350
St. Michael's Medical Center (HATP), Series 2008 A	2038	5.00 - 5.50	233,270	237,705
Somerset Medical Center, Series 2008	2024	Weekly variable rate	19,745	21,095
St. Joseph's Healthcare System Obligated Group, Series 2008	2038	5.75 - 6.625	231,145	234,910

K. REVENUE BONDS, NOTES AND MASTER LEASES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2013 ($000)	Amount Outstanding December 31, 2012 ($000)
Revenue bonds				
Public issues				
Christian Health Care Center, Series 2009	2038	Weekly variable rate	12,850	13,435
Virtua Health, Series 2009 A	2038	4.375 - 6.00	244,555	379,645
Virtua Health, Series 2009 B	2043	Daily variable rate	60,000	60,000
Virtua Health, Series 2009 C	2043	Daily variable rate	40,000	40,000
Virtua Health, Series 2009 D	2043	Weekly variable rate	65,000	65,000
Virtua Health, Series 2009 E	2043	Weekly variable rate	20,000	20,000
Solaris (HATP), Series 2009 A	2032	4.00 - 5.75	150,520	152,925
Chilton Memorial Hospital, Series 2009	2039	4.00 - 5.75	37,840	38,530
Catholic Health East, Series 2010	2033	2.00 - 5.25	111,310	118,100
Hackensack University Medical Center, Series 2010	2034	3.00 - 5.00	75,635	79,115
Holy Name Medical Center, Series 2010	2025	3.00 - 5.00	49,295	51,305
RWJ University Hospital, Series 2010	2031	2.00 - 5.00	116,160	119,300
Hackensack University Medical Center, Series 2010 B	2028	4.00 - 5.00	111,185	116,310
AHS Hospital Corporation, Series 2011	2041	4.00 - 6.00	128,465	129,525
Saint Peter's University Hospital Obligated Group, Series 2011	2035	5.00 - 6.25	97,485	100,640
Barnabas Health, Series 2011 A	2041	3.00 - 5.75	324,215	347,700
Barnabas Health, Series 2011 B	2038	Weekly variable rate	35,610	36,310
Barnabas Health, Series 2011 C	2038	Weekly variable rate	42,990	42,990
Meridian Health System, Series 2011	2027	2.00 - 5.00	175,900	186,735
Kennedy Health System, Series 2012	2042	2.00 - 5.00	65,120	66,035
Barnabas Health, Series 2012 A	2026	2.00 - 5.00	105,485	106,685
Greystone Park Psychiatric Hospital Project, Series 2013A	2033	3.50 - 5.00	50,730	-
Greystone Park Psychiatric Hospital Project, Series 2013B	2028	4.00 - 5.00	160,110	-
Marlboro Psychiatric Hospital Project, Series 2013	2033	3.00 - 5.00	73,530	-
Meridian Health System Obligated Group, Series 2013A	2032	4.00 - 5.00	27,445	-
St. Luke's Warren Hospital Obligated Group, Series 2013	2043	4.00 - 5.00	37,410	-
Palisades Medical Center Obligated Group, Series 2013	2043	2.35 - 5.50	47,555	-
Robert Wood Johnson University Hospital, Series 2013A	2043	3.00 - 5.50	110,175	-
Robert Wood Johnson University Hospital, Series 2013B	2043	Weekly variable rate	70,000	-
Virtua Health, Series 2013	2029	3.00 - 5.00	140,020	-
Total public issues			5,364,900	5,292,933

K. REVENUE BONDS, NOTES AND MASTER LEASES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2013	2012
			($000)	
Revenue bonds				
Private placements				
CentraState Assisted Living, Inc., Series 1998	2018	4.37	5,215	5,509
Bartley Assisted Living LLC, Series 2000	2025	Monthly variable rate	4,966	5,296
JFK Assisted Living Series 2001	2026	5.65	9,323	9,961
Virtua Health, Inc., Series 2006	2013	Weekly variable rate	*	5,565
Shore Memorial Hospital Obligated Group, Series 2009	2039	Indexed rate	28,170	28,655
Kennedy Health Facilities, Inc. Series 2009	2039	Weekly variable rate	15,412	15,719
Hunterdon Medical Center, Series 2009	2036	Indexed rate	7,560	8,820
Shore Memorial Hospital Obligated Group, Series 2010	2039	Indexed rate	14,120	14,360
St. Ann's Home for the Aged, Series 2010	2040	Indexed rate	11,346	11,535
Princeton HealthCare System, Series 2010 B	2041	Indexed rate	54,040	55,000
Princeton HealthCare System, Series 2010 C	2041	Indexed rate	98,250	100,000
Princeton HealthCare System, Series 2010 D	2041	Indexed rate	73,690	75,000
Bridgeway Assisted Living LLC., Series 2010	2020	Indexed rate	4,884	5,073
Virtua Health, Inc., Series 2011	2018	1.062-1.956	27,260	37,430
Shore Memorial Hospital, Series 2011	2022	5.00	11,449	12,514
Atlanticare Regional Medical Center, Series 2012 A	2030	2.11 reset in 7 years	35,520	37,495
St. Luke's Warren Hospital, Series 2012	2049	6.00 thru 2019, then 7.25	*	42,150
Atlanticare Regional Medical Center, Series 2012 B	2025	2.35	35,495	38,080
Meridian Health System Obligated Group, Series 2012 A	2033	Monthly variable rate	39,505	40,005
Meridian Health System Obligated Group, Series 2012 B	2038	Monthly variable rate	47,155	47,705
Meridian Health System Obligated Group, Series 2012 C	2038	Monthly variable rate	47,155	47,705
House of the Good Shepherd Obligated Group, Series 2012	2031	2.54 to 2022, 4.41 after	14,275	14,645
Wiley Mission, Series 2012 Lot A	2029	Monthly variable rate	10,170	10,840
Wiley Mission, Series 2012 Lot B	2022	Monthly variable rate	2,238	2,487
University Hospital, Series 2013A	2017	Indexed rate	147,510	-
University Hospital, Series 2013B	2017	Indexed rate	2,490	-
Children's Specialized Hospital, Series 2013A	2036	3.23	10,239	-
Children's Specialized Hospital, Series 2013B	2036	1.47	5,130	-
RWJ Health Care Corporation at Hamilton, Series 2013	2028	4.39	27,038	-
Shore Memorial Health Care System, Series 2013	2023	Indexed rate	16,890	-
Total private placements			806,495	671,549
Capital asset program				
Total Capital Asset Program, Series A, B, C, D	2035		100,000	100,000
Total bonds payable			$ 6,271,395	$ 6,064,482

K. REVENUE BONDS, NOTES AND MASTER LEASES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2013	2012
			($000)	
Equipment revenue notes				
Christian Health Care Center, Series 2008	2013	3.60	*	1,878
Christian Health Care Center, Series 2008	2013	3.60	*	2
Somerset Medical Center, Series 2009	2016	5.45	2,523	3,324
Christian Health Care Center, Series 2013	2018	2.16	1,525	-
Christian Health Care Center, Series 2013	2018	2.16	330	-
Total equipment revenue notes			4,378	5,204
Master Leases				
St. Barnabas Medical Center, Dated March 30, 2012	2017	2.55	2,018	2,590
St. Barnabas Medical Center, Dated March 30, 2012	2017	2.55	2,036	2,613
Monmouth Medical Center, Dated March 30, 2012	2017	2.55	2,569	3,318
St. Barnabas Medical Center, Dated March 30, 2012	2017	2.55	2,100	2,712
Clara Maass Medical Center, Dated March 30, 2012	2017	2.55	875	1,123
Community Medical Center, Dated March 30, 2012	2017	2.55	1,372	1,761
Kimball Medical Center, Dated March 30, 2012	2017	2.55	494	633
Newark Beth Israel Medical Center, Dated March 30, 2012	2017	2.55	1,672	2,147
Barnabas Corp. d/b/a Barnabas Health, Dated March 30, 2012	2017	2.55	*	436
Community Medical Center, Dated November 14, 2012	2017	1.81	1,344	1,673
Newark Beth Israel Medical Center, Dated November 14, 2012	2017	1.81	1,143	1,423
Clara Maass Medical Center, Dated November 14, 2012	2017	1.81	1,424	1,772
Newark Beth Israel Medical Center, Dated February 28, 2013	2018	1.59	693	-
Barnabas Health Inc., Dated August 15, 2013	2018	1.61	2,416	-
Clara Maass Medical Center, Dated August 15, 2013	2018	1.61	1,188	-
Newark Beth Israel Medical Center, Dated August 15, 2013	2018	1.61	1,593	-
Monmouth Medical Center, Dated November 20, 2013	2018	2.14	884	-
Total master leases			23,821	22,201
Total revenue bonds, equipment revenue notes and master leases			$ 6,299,594	$ 6,091,887

The aggregate maturities and interest payments of outstanding revenue bonds, revenue notes and master leases are as follows:

	Principal	Interest	Total
2014	$ 162,588	$ 250,714	$ 413,302
2015	178,614	249,909	428,523
2016	275,767	242,688	518,455
2017	245,173	230,345	475,518
2018	195,258	219,834	415,092
2019-2023	1,068,541	965,565	2,034,106
2024-2028	1,194,437	699,557	1,893,994
2029-2033	1,279,680	435,279	1,714,959
2034-2038	1,225,956	196,013	1,421,969
2039-2043	444,239	32,724	476,963
2044-2048	29,341	2,719	32,060
	$ 6,299,594	$ 3,525,347	$ 9,824,941

K. REVENUE BONDS, NOTES AND MASTER LEASES (CONTINUED)

Several Authority bond issues are subject to periodic interest rate reset. Interest expense in future years, as reflected on the above schedule for variable rate bonds, is estimated based on rates in effect at or close to December 31, 2013.

L. 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, Trust Agreement, 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, 2013, there were the following Events of Default of the Authority's bond issues:

On April 16, 2007, Bayonne Medical Center filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The bankruptcy court conducted an auction for the sale of Bayonne Medical Center and on November 2, 2007, IJKG, Inc. was declared the winner of the auction and the sale was closed on February 1, 2008. Since the auction sale price was insufficient to pay the outstanding bond debt, the bond insurer, FSA, continued to pay to the bondholders interest and principal according to the debt service schedules. However, on September 27, 2012, the remaining outstanding bonds were accelerated and the bondholders were paid in full, by FSA.

On September 24, 2007, Pascack Valley Hospital filed for protection under Chapter 11 of the U.S. Bankruptcy Code and ceased operations in November 2007. Partial settlements were made to bondholders on September 30, 2008, March 18, 2009, September 9, 2009 and March 30, 2010. In 2012 and 2011, no principal was paid to bondholders from the bankruptcy estate due to insufficient funds. The bankruptcy estate determined there are no longer any funds to satisfy the bondholders or any other creditors, and the remaining principal and interest due the bondholders was cancelled.

L. COMPLIANCE WITH BOND PROVISIONS (CONTINUED)

On March 9, 2009, St. Mary's Hospital in Passaic filed for protection under Chapter 11 of the U.S. Bankruptcy Code. On February 2, 2010, the bankruptcy court approved St. Mary's reorganization plan which went into effect on February 26, 2010. Under the plan, St. Mary's will pay annual debt service of $2.2 million for 30 years, and the State of New Jersey will pay approximately $1.5 million for 18 years subject to annual state appropriations.

Since February 2013, St. Mary's Hospital and St. Michael's Medical Center, both of which have tax-exempt bonds financed through the Authority, have been going through negotiations and regulatory processes to be sold to a for-profit entity for an amount less than the current outstanding bond debt. The difference between the proceeds and outstanding debt will be remedied by the State of New Jersey to the bondholders, subject to appropriation, pursuant to the Hospital Asset Transformation Program. However, the allocation of the payment price and other terms are still under review by attorneys due to the complex nature of these transactions. The State's regulatory processes for transfer of ownership of a hospital include a Certificate of Need ("CN"), review by the Department of Health, and a review performed by the Attorney General's office pursuant to the Community Health Care Assets Protection Act ("CHAPA") which then must ultimately be approved by a Superior Court Judge.

M. 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 liabilities 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.

M. DEFEASED ISSUES (CONTINUED)

A summary of outstanding balances as of December 31, 2013 and 2012, by issue, is as follows:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2013	Amount Outstanding December 31, 2012
			($000)	
Defeased public issues				
Bridgeton Hospital Association, Series B (currently a part of South Jersey Hospital System)	2013	6.00 - 10.50	*	$ 1,545
The General Hospital Center at Passaic, Series 1994 (currently a part of AHS Hospital Corporation)	2019	6.00 - 6.75	29,305	33,215
Allegany Health-Our Lady of Lourdes, Series 1993 (currently a part of Catholic Health East)	2018	5.00 - 5.20	15,845	18,555
AHS Hospital Corporation, Series 1997 A	2013	5.00 - 6.00	*	5,440
St. Clare's Hospital, Inc. Series 2004 A	2025	4.25 - 5.25	59,000	59,000
St. Clare's Hospital, Inc. Series 2004 B	2015	2.85 - 4.00	9,735	14,250
Capital Health System Obligated Group, Series 2003 A	2013	4.00 - 5.75	*	79,370
Virtua Health, Series 1998	2014	4.50	23,705	-
Greystone Park Psychiatric Hospital Project, Series 2005	2017	3.75 - 5.0	150,935	-
Total defeased public issues			288,525	211,375
Partially defeased public issues				
Saint Barnabas Health Care System, Series 1998 B (currently Barnabas Health, Inc.)	2023	0.00	17,413	17,413
RWJ Health Care Corp. at Hamilton, Series 2005B	2015	4.0 - 5.0	5,240	-
Catholic Health East, Series 2010	2020	3.0 - 5.25	2,265	-
Virtua Health, Series 2009A	2014	4.375 - 6.00	135,090	-
Total partially defeased public issues			160,008	17,413
Total defeased issues			$ 448,533	$ 228,788

N. SUBSEQUENT EVENT

On February 21, 2014, the State Health Planning Board met and approved St. Mary's CN to the Commissioner of Health, which recommends that the Commissioner of Health approve the sale of St. Mary's with some conditions. The Commissioner of Health has 120 days to act on the State Health Planning Board's recommendation. In the case of the St. Michael's process, neither the CN nor the CHAPA applications are complete.

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, of the Authority, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 27, 2014

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARD REQUIRED BY OMB CIRCULAR A-133

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

We have audited New Jersey Health Care Facilities Financing Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2013. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARD REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 27, 2014