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

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL INFORMATION

December 31, 2011 and 2010

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

We have audited the accompanying balance sheets of the New Jersey Health Care Facilities Financing Authority (the "Authority"), a component unit of the State of New Jersey, as of December 31, 2011 and 2010, and the related statement of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statement are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued our report dated February 22, 2012, 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 other matters. The purpose of that report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Management's discussion and analysis and the schedule of funding progress for the retiree healthcare plan, on pages three to nine, and page twenty-four, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures have been performed, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mercadien, P.C.
Certified Public Accountants

February 22, 2012

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 year ended on December 31, 2011. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

The Authority's total Net Assets increased $905,000 or 9.7%
Cash and Cash Equivalents increased $1,804,000 or 50.2%
Operating Revenue increased $90,000 or 2.3%
Operating Expenses decreased $238,000 or 6.9%
Operating Income increased $328,000 or 59.2%

Overview of the Financial Statements

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

Financial Analysis of the Authority

Net Assets – The following table presents the changes in net assets between December 31, 2011, 2010 and 2009:

	2011	2010	2009	Increase/ (Decrease) 2010-2011	%
	($000)	($000)	($000)	($000)	(%)
Current assets	$ 11,054	$ 9,561	$ 9,155	$ 1,493	15.6
Noncurrent assets	1,240	1,561	1,204	(321)	(20.6)
Total assets	12,294	11,122	10,359	1,172	10.5
Current liabilities	2,090	1,823	1,648	267	14.6
Total liabilities	2,090	1,823	1,648	267	14.6
Total net assets	$ 10,204	$ 9,299	$ 8,711	$ 905	9.7

Current Assets are comprised of Cash and Cash Equivalents (Operating Account and FQHC Loan Program), Administrative Fees and Other Receivables, Note Receivables, Note Interest Receivables and Prepaid Expenses. Current Assets increased 15.6% from December 31, 2010 to December 31, 2011. As of December 31, 2011, the majority of the Cash and Cash Equivalents were held in the New Jersey Cash Management Fund, a liquid short-term investment vehicle. The yield on the New Jersey Cash Management Fund at December 31, 2011 and 2010, was 0.03% and 0.24%, respectively.

Overall, the Operating Account Cash and Cash Equivalents increased $1,483,000 while the Federally Qualified Health Centers ("FQHC") Loan Program Cash and Cash Equivalents increased $321,000. 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 an FQHC. The FQHC loan program is further described in Note K to the financial statements.

Administrative Fees and Other Receivables primarily represent the Authority's semi-annual fee billings that were disseminated on December 31, 2011 and 2010, in the amounts of $1,982,448 and $1,942,754, respectively, or an increase of $39,694. Even though the fees are based on the declining outstanding balance and refunded issues are not billed an annual fee, the increase in the receivable is due in part to the financings completed since the December 31, 2010, billing. Also increasing was the receivable for Trustee Fees and the receivable from the NJ Department of Health and Senior Services ("DOH&SS") for the salary and fringe benefits of the Health Information Technology ("HIT") Project Manager hired by the Authority to manage the Health Information Exchange ("HIE") Grant the Authority received through the American Recovery and Reinvestment Act (ARRA 2009). Those receivables increased $18,919 and $22,664, respectively. The Trustee Fees receivable fluctuates from year to year depending on the timing of the invoices received from the Trustee and the timing of the payments received from the health care institutions with which the Authority has outstanding debt. The receivable from the DOH&SS was new in 2011 and covers the period October 1, 2011 to December 31, 2011. Offsetting those increases was a receivable at December 31, 2010, from two institutions for the costs incurred by the Authority for a consultant that was hired to evaluate health care services in Hudson County which covers Christ Hospital, Jersey City Medical Center and Hoboken University Medical Center. The receivable was in the amount of $138,293 and the payment was received during 2011. The Note Receivable-designated FQHC loan program and the Note Interest Receivable-designated FQHC loan program are further described in Note K to the financial statements.

Prepaid expenses decreased due in part to the recording of the expense for the Authority's Annual Required Contribution ("ARC") for its Post-Retirement Health Benefits. A Post-Retirement Health Benefits Trust was established by the Authority and is fully funded resulting in a prepaid being recorded. Each year the ARC for that particular year is charged to expenses. The prepaid recorded for the trust as of December 31, 2011 and 2010, totals $3,173,822 and $3,428,685, respectively.

When comparing Current Assets as of December 31, 2010 to December 31, 2009, Current Assets increased 4.4%. The increase in current assets during this period was due in part to an increase in Administrative Fees and Other Receivables and Prepaid expenses. Regarding the Administrative Fees and Other Receivables, the receivable for annual fees increased $62,979 and as mentioned previously, there was a receivable in the amount of $138,293 due from two institutions relating to the consultant hired to evaluate health care services in Hudson County. Prepaid expenses increased due to an actuarial valuation which was done during 2010. The valuation in 2010 provided the Authority with the post-retirement liability cost for 2010, 2011 and 2012. After completion of the valuation the Authority transferred $1,741,876 from the Authority's Operating account to the Post-Retirement Health Benefits Trust established by the Authority to bring the fund back to a fully funded status. Offsetting those increases was a decrease in cash and cash equivalents in the amount of $1,015,000. Cash and cash equivalents decreased due in part to the transfer to the Trust and the $2,000,000 loan from the Authority's Operating Account to Lakewood Resource and Referral Center as further describe in Note K to the financial Statements. These two disbursements were offset somewhat by the repayment in full on June 7, 2010, of the loan outstanding to Bayonne Medical Center/IJKG Propco LLC as further described in Note J to the financial statements.

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 that portion of the Note Receivable-designated FQHC loan program outstanding from Lakewood Resource and Referral Center that exceeds one year as further described in Note K to the financial statements. Noncurrent Assets decreased $321,000 due in part to the repayments on the Lakewood Resource and Referral Center note receivable. In addition, the Authority sold and/or disposed of an Authority vehicle and obsolete computer equipment.

Noncurrent Assets at December 31, 2010, increased $357,000 when compared to December 31, 2009. Even though the Bayonne Medical Center/IJKG Propco LLC loan was paid in full on June 7, 2010, noncurrent assets increased due in part to the addition of the Note Receivable-designated FQHC loan program. The loan was issued on January 29, 2010.

Current Liabilities in 2011 are comprised of Accounts Payable, Accrued Expenses and Deferred Revenue-annual fees and section 142(d) fees. Accounts Payable and Accrued Expenses increased $33,000 or 7.3% compared to December 31, 2010. Increasing were the employer's pension expense accrual, the accrual for the Authorities Unit annual assessment, and the Trustee Fees payable which is the offset of the Trustee Fees receivable mention previously and will increase and/or decrease in correlation with the receivable due from the healthcare institutions. Deferred Revenue-annual fees increased $171,000 or 12.5% compared to December 31, 2010. It represents the semi-annual fees billed on December 31, 2011 and 2010, which cover the periods January 1, 2012 to June 30, 2012, and January 1, 2011 to June 30, 2011, respectively. Financings completed since January 1, 2003 are billable in advance. As was the case with the Administrative Fees Receivable, the Deferred Revenue increase is due to financings completed since December 31, 2010. Deferred Revenue-section 142(d) fees is new for 2011 and represents the prepayment from a client institution of fees the Authority charges in order to compensate the Authority for monitoring the financings completed under Section 142(d) of the Internal Revenue Code.

Current Liabilities in 2010 increased $175,000 or 10.6% compared to December 31, 2009. Accounts Payable and Accrued Expenses decreased $18,000 or 3.8% while Deferred Revenue increased $193,000 or 16.4%. Even though the Authority's employer pension expense accrual increased, the accounts payable expenses for legal fees and costs associated with a client institution's bankruptcy, and legal fees associated with the creation of the FQHC loan program were minimal or did not exist at the end of 2010, but which existed at the end of 2009. The increase in Deferred Revenue from December 31, 2009 to December 31, 2010, is attributable to Authority financing activity increasing in 2010 after a year and a half of a slowdown in activity which was due to the economic crisis/recession that not only impacted the Authority and the health care institutions but also the bond markets.

Changes in Net Assets – The following table represents the changes in net assets between fiscal years 2011, 2010 and 2009:

	2011	2010	2009	Increase/ (Decrease) 2010-2011	%
	($000)	($000)	($000)	($000)	(%)
Operating revenues					
Administrative fees					
Annual fees	$ 3,796	$ 3,737	$ 3,640	$ 59	1.6
Initial fees	110	81	58	29	35.8
Per Series fees	75	65	55	10	15.4
Capital asset application fees	-	1	-	(1)	(100.0)
Mortgage servicing and Section 142 (d) fees	64	66	67	(2)	(3.0)
Note interest income designated FQHC loan program	34	39	n/a	(5)	(12.8)
Total operating revenues	4,079	3,989	3,820	90	2.3
Operating expenses					
Salaries and related expenses	2,170	2,360	2,393	(190)	(8.1)
General and administrative	559	551	560	8	1.5
Provision for postemployment benefits	255	297	413	(42)	(14.1)
Professional fees and other	213	227	287	(14)	(6.2)
Bad debt expense	-	-	9	n/a	n/a
Total operating expenses	3,197	3,435	3,662	(238)	(6.9)
Operating income	882	554	158	328	59.2
Nonoperating revenues (expenses)					
Interest income	11	25	77	(14)	(56.0)
Other	12	9	20	3	33.3
Health Information Exchange Grant income	3,222	n/a	n/a	3,222	100.0
Health Information Exchange Grant expenses	(3,222)	n/a	n/a	3,222	100.0
Total nonoperating revenues (expenses)	23	34	97	(11)	(32.4)
Change in net assets	905	588	255	317	53.9
Net assets, beginning of year	9,299	8,711	8,456	588	6.8
Net assets, end of year	$ 10,204	$ 9,299	$ 8,711	$ 905	9.7%

The Authority's Net Assets increased $905,000 or 9.7% from the end of calendar year 2010 to December 31, 2011. When comparing the Change in Net Assets amount to the prior year, there was an increase of $317,000 or 53.9% from 2010 to 2011. The decrease in operating expenses are the main reason for the increase in the Authority's Change in Net Assets.

By contrast, the Authority's Net Assets increased $588,000 or 6.8% from the end of calendar year 2009 to December 31, 2010. When comparing the Change in Net Assets amount, there was an increase of $333,000 or 130.6% from 2009 to 2010. The increase in the Change in Net Assets from 2009 to 2010 was attributable to Authority financing activity increasing in 2010, as mentioned previously and a decrease in Operating expenses.

Operating Revenues - During 2011, total Operating Revenues increased $90,000 or 2.3%. Annual Fees, Initial Fees and Per Series Fees increased $59,000, $29,000 and $10,000, respectively when compared to 2010. Concerning all three fee categories, the increases are attributable to the Authority financings completed in 2011. The Note Interest Income-Designated FQHC Loan program amount is the interest charged to the Lakewood Resource and Referral Center on the loan issued on January 29, 2010, as further described in Note K to the financial statements. For 2011, the interest charged totaled $34,000 compared to $39,000 for 2010 or a decrease of $5,000.

When compared to 2009, Operating Revenues during 2010 increased $169,000 or 4.4%. During 2010, Annual Fees, Initial Fees and Per Series Fees increased $97,000, $23,000 and $10,000, respectively when compared to 2009. The increase was due in part to Authority financing activity increasing in 2010, as mentioned previously.

Operating Expenses – During 2011, operating expenses decreased $238,000 or 6.9% when compared to 2010. The main area of decrease in operating expenses was in Salaries and Related Expenses which was due in part to the change in the composition of staff in 2011, specifically two staff retirements. In addition, as mentioned previously, the Authority is being reimbursed by the DOH&SS for the salary and fringe benefits of the HIT Project Manager. The contract for the reimbursement was signed in June 2011 and was retroed back to May of 2010. As a result, the reimbursement for the 2010 salary and fringe benefits was credit against the 2011 Salaries and Related Expenses line item. Regarding the decrease in the Provision for Postemployment Benefits, the ARC per the actuarial valuation for 2011 was less than the ARC for 2010. Another area of decrease was in Professional Fees and Other, specifically depreciation expense. Depreciation expense decreased due in part to office furniture purchased in 2004 being fully depreciated during 2011 and the cost for desktop computers not reaching the threshold for being considered a depreciable asset. Finally, offsetting the decreases somewhat was an increase in General and Administrative expenses such as rent, computer equipment, general office equipment and transportation.

When compared to 2009, Operating Expenses during 2010 decreased $227,000 or 6.2%. Salaries and Related Expenses decreased in 2010 due to a change in the composition of staff, specifically one staff retirement and in June of 2010 staff began contributing 1.5% of their salaries towards health benefits. The Provision for Postemployment Benefits decreased as a result of the ARC for 2010 being less than the ARC for 2009. Concerning the decrease in Professional Fees and Other, legal fees and costs associated with a client institutions bankruptcy and legal fees associated with the creation of the FQHC loan program decreased along with a decrease in depreciation expense. The bankruptcy process for the client institution was winding down in 2010. Finally, General and Administrative expenses and Bad Debt expenses decreased in 2010. Regarding Bad Debt expenses, there were no receivables deemed uncollectible in 2010.

Nonoperating Revenues/(Expenses) – During 2011 Nonoperating Revenues/(Expenses) decreased $11,000 or 32.4%. Interest income decreased $14,000 while Other income, Health Information Exchange Grant Income and Health Information Exchange Grant Expenses increased $3,000, $3,222,000 and $3,222,000, respectively. Interest income in 2011 and 2010 represented interest earned on the Authority's checking accounts and the operating funds invested in the New Jersey Cash Management Fund which totaled $5,000 in 2011 and $11,000 in 2010. In addition, in 2011, $6,000 in interest was earned on the Hoboken Municipal Hospital Authority ("HMHA") Note as further described in Note L to the financial statements and in 2010 interest was earned on the Bayonne Medical Center/IJKG Propco LLC Note Receivable totaling $14,000, which is further described in Note J to the financial statements. Concerning interest exclusive of the interest on the notes, interest decreased due to the continued decrease in the monthly New Jersey Cash Management yield through December 31, 2011. Regarding Other Income, there was an increase of $3,000 or 33.3%. In 2011, $12,050 was received from the auction of the Authority's remaining 2005 Toyota Prius Hybrid. By contrast, in 2010, $8,400 was received from the auction of one of the Authority's two remaining 2005 Toyota Prius Hybrids. Finally, the Health Information Exchange Grant Income and Expenses are as a result of the Health Information Exchange Grant that the Authority received through the American Recovery and Reinvestment Act (ARRA 2009) as mentioned previously. The income represents the receipt of the Grant funds that have been drawn down while the expenses represent distribution of those funds to the Health Information Exchanges created for the purposes of the Grant and/or direct payment to the vendors used by the Exchanges for Grant purposes. The first year that the Authority drew down funds and distributed funds was in 2011.

When compared to 2009, Nonoperating Revenues during 2010 decreased $63,000 or 64.9%. Interest income decreased $52,000 while Other income decreased $11,000. Interest income in 2010 totaled $25,000 as described above. By contrast, interest earned in 2009 totaled $77,000 and it represented interest earned on the Authority's checking accounts and the operating funds invested in the New Jersey Cash Management Fund totaling $28,000, and interest on the Bayonne Medical Center/IJKG Propco LLC Note Receivable totaling $49,000. Concerning interest exclusive of the interest on the note, interest decreased due to the transfer of $1,741,876 from the Authority's Operating account to the Post-Retirement Health Benefits Trust, a $2,000,000 loan from the Authority's Operating funds to

Lakewood Resource and Referral Center, as further described in Note K, to the financial statements and the continued decrease in the monthly New Jersey Cash Management yield through December 31, 2010. Regarding Other Income, there was a decrease of $11,000 or 55.0%. As stated above, in 2010, $8,400 was received from the auction of one of the Authority's two remaining 2005 Toyota Prius Hybrids. By contrast in 2009, $4,000 was received through New Jersey's Alternative Fuel Vehicle Rebate Program for the Authority's 2008 Toyota Prius Hybrid, $10,500 was received from the auction of one of the Authority's three 2005 Toyota Prius Hybrids and $5,000 was received from an institution for a TEFRA hearing the Authority had to conduct for a financing that was being done by an out of state authority that would be using proceeds for a health care institution in New Jersey.

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)

BALANCE SHEETS

	December 31, 2011	December 31, 2010
	($000)	
Assets		
Current assets		
Cash and cash equivalents	$ 4,802	$ 3,319
Cash and cash equivalents - designated FQHC loan program	595	274
Administrative fees and other receivables	2,080	2,136
Note receivable - designated FQHC loan program	286	286
Note interest receivable - designated FQHC loan program	3	3
Prepaid expenses	3,288	3,543
Total current assets	11,054	9,561
Noncurrent assets		
Note receivable - designated FQHC loan program	1,190	1,476
Capital assets	724	773
Less accumulated depreciation	(674)	(688)
Total noncurrent assets	1,240	1,561
Total assets	$ 12,294	$ 11,122
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 485	$ 452
Deferred revenue - annual fees	1,542	1,371
Deferred revenue - 142(d) fees	63	-
Total current liabilities	2,090	1,823
Net assets		
Unrestricted		
Undesignated	8,080	7,175
Designated - FQHC Loan Program	2,074	2,039
Invested in capital assets	50	85
	10,204	9,299
Total liabilities and net assets	$ 12,294	$ 11,122

See accompanying notes.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

	Year Ended December 31, 2011 ($000)	Year Ended December 31, 2010 ($000)
Operating revenues		
Administrative fees		
Annual fees	$ 3,796	$ 3,737
Initial fees	110	81
Per series fees	75	65
Capital asset program application fees	-	1
Mortgage servicing fees	40	41
Section 142 (d) fees	24	25
Note interest income - designated FQHC loan program	34	39
Total operating revenues	4,079	3,989
Operating expenses		
Salaries and related expenses	2,170	2,360
General and administrative expenses	559	551
Professional fees	167	168
Provision for postemployment benefits	255	297
Depreciation	46	59
Total operating expenses	3,197	3,435
Operating income	882	554
Nonoperating revenues (expenses)		
Interest income from investments	5	11
Other income	-	1
Note interest income	6	14
Gain on disposal of assets	12	8
Health information exchange grant income	3,222	-
Health information exchange grant expenses	(3,222)	-
Total nonoperating revenues	23	34
Changes in net assets	905	588
Net assets, beginning of year	9,299	8,711
Net assets, end of year	$ 10,204	$ 9,299

See accompanying notes.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2011	2010
	($000)	
Cash flows from operating activities		
Cash received from customers	$ 4,335	$ 3,958
Cash payment to suppliers and employees	(2,863)	(3,102)
Cash payment to postemployment health benefits trust	-	(1,742)
Net cash provided by (used in) operating activities	1,472	(886)
Cash flows from capital and related financing activities		
Acquisition of capital assets	(11)	(24)
Cash received on disposal of assets	12	8
Net cash provided by (used in) capital and related financial activities	1	(16)
Cash flows from noncapital financing activities		
Other	-	1
Note issued to client institution - designated FQHC loan program	-	(2,000)
Note issued to Hoboken Municipal Hospital Authority	(2,500)	-
Note repaid from client institution	-	1,583
Note repaid from client institution - designated FQHC loan program	286	238
Note repaid from Hoboken Municipal Hospital Authority	2,500	-
Interest received on note from client institution	-	18
Interest received on note - Hoboken Municipal Hospital Authority	6	-
Interest received on note - designated FQHC loan program	34	36
Net cash provided by (used in) noncapital financial activities	326	(124)
Cash flows from investing activities		
Investment income	5	11
Net cash provided by investing activities	5	11
Net increase (decrease) in cash and cash equivalents	1,804	(1,015)
Cash and cash equivalents, beginning of year	3,593	4,608
Cash and cash equivalents, end of year	$ 5,397	$ 3,593
Operating income	$ 882	$ 554
Adjustments		
Depreciation	46	59
Note interest income - designated FQHC loan program	(34)	(39)
Changes in assets and liabilities		
Accounts receivable	56	(185)
Prepaid expenses	255	(1,450)
Deferred revenue	234	193
Accounts payable	33	(18)
Total adjustments	590	(1,440)
Net cash provided by (used in) operating activities	$ 1,472	$ (886)

See accompanying notes.

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 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 and notes is payable out of revenues derived from separate organizations and is secured by its own series resolution, note resolution or trust agreement and is separate and distinct as to source of payment and security, except for certain issues for the same organization or system which may be secured on a parity basis. The Authority assigns the loan and security agreements and, if any, mortgage agreements to the trustee for each bond issue, 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 and notes 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. The Authority has no taxing power.

The Authority is exempt from both federal and state taxes.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Operating Revenues and Expenses - Operating revenues and expenses result from providing services to various health care organizations in connection with the issuance of bonds and/or notes. The Authority's principal operating revenues are the administrative fees that it charges these entities as further explained below. 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.

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

Investments - Investments are recorded at fair value based upon current market quotations.

C. CASH AND INVESTMENTS

The components of cash and investments at December 31, 2011 and 2010, are:

	2011	2010
Cash and cash equivalents	($000)	
Operating checking account	$ 26	$ 1
New Jersey Cash Management Fund	4,776	3,318
New Jersey Cash Management Fund - designated FQHC loan program	595	274
Total cash and cash equivalents	$ 5,397	$ 3,593

Currently there are no funds held in investment accounts, however, 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

C. CASH AND INVESTMENTS (CONTINUED)

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 New Jersey Cash Management Fund, 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 asset value per share; and (3) has aggregate net assets of not less than $50,000,000 on the date of purchase of such shares.

The New Jersey Cash Management Fund (the "Fund") is a common trust fund administered by the New Jersey Department of the Treasury, Division of Investment. Securities in the Fund are insured, registered or held by the Division or its agent in the Fund's name.

The Authority provides the disclosures required by the Governmental Accounting Standards Board and, accordingly, 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 and Investments.

(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. The Authority's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority and are 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 will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

C. CASH AND INVESTMENTS (CONTINUED)

At December 31, 2011 and December 31, 2010, the Authority's bank balance was not exposed to custodial credit risk since the full amount was covered by FDIC insurance. The Fund 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 Fund typically earn returns that mirror short-term interest rates. The Fund 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, 2011 and 2010, there were no investments in the Authority's portfolio. The majority of available funds were being held in the New Jersey Cash Management Fund. 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 5 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.

(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 New Jersey Cash Management Fund is not rated.

(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 from time to time evaluate its investment portfolio to determine if based on the interest rate environment, other investment vehicles would provide higher yields that lower the cost and risk.

D. 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, 2011, 2010 and 2009 were $1,719,625, $1,734,231, and $1,764,127, respectively. Pension costs for the years ended December 31, 2011, 2010 and 2009 were $192,328, $191,747, and $179,597, 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 5.5% from January 1, 2011 to September 30, 2011, 6.5% from October 1, 2011 to December 31, 2011, and 5.5% in 2010 and 2009.

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.

E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Authority sponsors and administers a single employer defined benefit health care 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 10 years of service with the Authority.
- Retirement after age 65, 25 years of PERS service, and 6 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.

E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The Authority's annual 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.

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, 2011 and 2010, and the related information for the plan are as follows (dollar amounts in thousands):

	2011	2010
	($000)	
Annual required contributions	$ 255	$ 297
Contributions made	-	(1,742)
Increase (Decrease) in net OPEB obligations	255	(1,445)
Prepaid OPEB obligation - beginning of year	(3,430)	(1,985)
Prepaid OPEB obligation - end of year	$ (3,175)	$ (3,430)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009, 2010 and 2011 were as follows (dollar amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation (Prepaid)
December 31, 2011	$ 255	100%	$ (3,175)
December 31, 2010	297	100%	(3,430)
December 31, 2009	413	100%	(1,985)

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

At January 1, 2010, the actuarial accrued liability for benefits was $4,641,793. At December 31, 2011, funds in the trust totaled $5,326,478. The covered payroll (annual payroll of active employees covered by the plan) was $1,719,625 for the year ended December 31, 2011, and the ratio of the funded actuarial accrued liability was 310%.

E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The most recent actuarial valuation date is January 1, 2010. 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.

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, 2010 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 8.5% medical grading down to an ultimate rate of 5%.

F. COMMITMENTS

The Authority has an operating lease commitment for its offices at an annual rental of approximately $269,700 from September 24, 2006 to September 23, 2011, and $286,556 from September 24, 2011 to September 23, 2016.

G. RELATED PARTY TRANSACTIONS

Operating expenses for the years ended December 31, 2011 and 2010, include approximately $270,000 and $283,000, respectively, relating to payment for goods and services provided by various State of New Jersey agencies.

H. CONDUIT DEBT

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks 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, 2011 and 2010, the Authority issued $941,865,000 and $906,972,666, respectively, in conduit debt. The amount of conduit debt outstanding at December 31, 2011 and 2010, totaled $6,634,098,654 and $6,706,429,569, respectively.

I. RISK MANAGEMENT

The Authority maintains a Not-For-Profit Protector Individual and Organization Insurance Policy (Directors & 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, 2011 through December 18, 2012, has a $20 million liability limit with a retention level of $175,000 at a premium cost of $71,669.

J. NOTE RECEIVABLE BAYONNE MEDICAL CENTER

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. The court, in considering whether IJKG met the court's contingencies relied on the Authority's willingness to provide a $2.5 million loan to Bayonne Medical Center, ("Medical Center"). The Authority's loan, along with a loan from the City of Bayonne, was needed for the Medical Center to continue operations until the facility's purchase. The sale was closed on February 1, 2008, and IJKG assumed the loan.

Consequently, on November 27, 2007, the Authority and the Medical Center entered into a loan agreement in the amount of $2.5 million. The executed promissory note required that commencing on March 1, 2008, the outstanding principal amount of the Note shall be due in fifty-nine (59) equal monthly installments of $41,666 with a final principal payment of $41,706 due on February 1, 2013. Further, interest on the loan became payable commencing March 1, 2008. Interest was computed using the rate on the New Jersey Cash Management Fund plus 2% and applied to the outstanding balance of the loan plus any interest accrued to that point, for the number of days the loan is outstanding. On June 7, 2010, the outstanding balance on the loan was paid in full by IJKG.

K. 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 assets 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 New Jersey Cash Management Fund 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 Federally Qualified Health Center, entered into a loan agreement in the amount of $2 million. The executed promissory note required that commencing March 1, 2010, the outstanding principal amount of the Note shall be due in eighty-three (83) 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 New Jersey Cash Management Fund plus 2% and applied to the outstanding balance of the loan plus any interest accrued to that point, for the number of days the loan is outstanding. Security for the loan is provided through accounts receivable of the Lakewood Resource and Referral Center. The following table summarizes the Authority's remaining loan payments to be received under this agreement.

Year Ending December 31,	Principal	Estimated Interest	Total
2012	$ 285,708	$ 26,905	$ 312,613
2013	285,708	21,191	306,899
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	$ 1,476,202	$ 77,503	$ 1,553,705

L. NOTE RECEIVABLE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY

At the Authority's meeting on July 28, 2011, the members of the Authority approved a $2.5 million loan to Hoboken Municipal Hospital Authority ("HMHA"). The loan was to fund the continued operations of the Hoboken University Medical Center ("HUMC") which was owned by HMHA, until the planned sale of HUMC to a company known as HUMC Holdco could be completed.

L. NOTE RECEIVABLE HOBOKEN MUNICIPAL HOSPITAL AUTHORITY (CONTINUED)

Consequently, on August 23, 2011, the Authority and HMHA entered in a loan agreement in the amount of $2.5 million and then three Notes were executed on September 9, 22 and 28, 2011 in the amounts of $750,000, $1,000,000 and $750,000, respectively. The executed Notes had a maturity of November 23, 2011. Interest was computed using the rate on New Jersey Cash Management Fund plus 2% and calculated on the basis of a 360-day year of twelve 30-day months. The sale of HUMC to HUMC Holdco was completed on November 4, 2011, at which time the loan was paid in full.

M. SUBSEQUENT EVENTS

The Authority has developed a Master Leasing Program which is designed to meet the unique needs of New Jersey's health care facilities and systems. In the case of a health care system, the various members of the system can access the tax-exempt equipment leases through a pre-arranged master lease financing. 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.

At the Authority's meeting on November 17, 2011, the members of the Authority approved a resolution authorizing the issuance of the Authority tax exempt leasing program on behalf of, Saint Barnabas Corporation. The program is anticipated to begin in March 2012 or shortly thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTHCARE PLAN
(DOLLARS IN THOUSANDS)

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
January 1, 2010	$ 3,703	$ 4,642	$ 939	80%	$ 1,640	57%
January 1, 2007	-	3,153	3,153	0%	1,760	179%
January 1, 2006	-	2,760	2,760	0%	1,710	161%

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

SUPPLEMENTARY FINANCIAL INFORMATION – TRUSTEE HELD FUNDS

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

STATEMENTS OF NET ASSETS FOR TRUSTEE HELD FUNDS

	December 31, 2011	December 31, 2010
	($000)	
Assets		
Mortgages and loans receivable, net	$ 5,230,387	$ 5,066,432
Lease receivable	178,760	185,585
State contract bonds receivable	435,380	440,815
Equipment revenue notes receivable, net	7,126	9,157
Capital Asset Program notes receivable, net	57,536	25,209
Construction/program accounts		
Cash and cash equivalents	245,880	217,984
Investments	108,844	384,399
Prepaid expenses	10	10
Debt service accounts		
Cash and cash equivalents	141,641	125,797
Investments	1,668	29,426
Receivable from master trustee/institution	13,719	20,199
Debt service reserve accounts		
Cash and cash equivalents	180,660	193,102
Investments	140,260	120,636
Mortgage servicing accounts		
Cash and cash equivalents	226	211
Mortgage payments receivable	577	578
Total assets	$ 6,742,674	$ 6,819,540
Liabilities and net assets		
Bonds payable	$ 6,626,930	$ 6,697,159
Revenue notes payable	7,169	9,270
Accrued interest payable	106,768	111,385
Accrued expenses	230	188
Mortgages and escrows payable	803	789
Capital Asset Program net assets	774	749
Total liabilities and Capital Asset Program net assets	$ 6,742,674	$ 6,819,540

See accompanying notes.

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

STATEMENTS OF CASH FLOWS FOR TRUSTEE HELD FUNDS

	Year Ended December 31,	
	2011	2010
	($000)	
Cash flows from operating activities		
Payments received from institutions under agreements	$ 619,848	$ 425,245
Equity contributions from institutions	22,405	133,370
Disbursements for construction/acquisition and issuance expense	(461,590)	(500,379)
Other (disbursements)/receipts	(34,305)	(113,268)
Net cash provided by (used in) operating activities	146,358	(55,032)
Cash flows from noncapital financing activities		
Face amount of revenue bonds	941,865	906,973
Less deductions at time of sale	(110,740)	(36,049)
Refunding of pre-existing debt/escrows fund deposit	(446,199)	(5,329)
Net proceeds from sale of revenue bonds	384,926	865,595
Principal/premium paid on revenue bonds	(551,252)	(691,832)
Interest paid on revenue bonds	(252,776)	(269,491)
Net cash used in noncapital financing activities	(419,102)	(95,728)
Cash flows from investing activities		
Net investment in securities	291,590	43,165
Interest on investments	12,467	11,722
Net cash provided by investing activities	304,057	54,887
Net increase (decrease) in cash and cash equivalents	31,313	(95,873)
Cash and cash equivalents, beginning of year	537,094	632,967
Cash and cash equivalents, end of year	$ 568,407	$ 537,094

See accompanying notes.

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

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION

A. BACKGROUND

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

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

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 and for its mortgage servicing funds (Trustee Held 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. 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

- Construction/Program Accounts - accounts for the receipt and disbursement of monies for the payment of construction expenses, related equipment expenditures, and expenses associated with bond issues.

- Debt Service Accounts - accounts for the receipt and disbursement of monies held on behalf of the designated borrowers for the payment of bond or note interest and principal.

- Debt Service Reserve Accounts - accounts for the receipt and disbursement of monies held in reserve on behalf of the investors in compliance with applicable bond resolutions. When required, the Debt Service Reserve Funds are generally maintained at an amount equal to the greatest annual amount of interest and principal payable.

- Mortgage Servicing Accounts - accounts for receipt of principal, interest, insurance, reserve for replacements and property tax payments of institutions for which the Authority is the mortgagee of record and has assumed the mortgage servicing function. These funds are held in segregated escrow accounts until remitted to the bond trustee or appropriate agency.

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

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 interest and principal payments.

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

As of December 31, 2011 and 2010, mortgages and loans receivable were:

	2011	2010
	($000)	
Mortgages		
Burdette Tomlin Memorial Hospital	$ 21,620	$ 22,215
Holy Name Hospital	60,000	60,000
Deborah Heart and Lung Center	20,085	21,215
Southern Ocean County Hospital	-	32,090
Somerset Medical Center	81,390	81,390
CentraState Assisted Living, Inc.	5,791	6,060
Total mortgages receivable	$ 188,886	$ 222,970

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

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

	2011	2010
Loans	($000)	
Secured by pledge of collateral with trustees		
Shoreline Behavioral Health Center (currently Saint Barnabas Behavioral Health Center, a part of Saint Barnabas Health Care System)	$ -	$ 11,195
Christian Health Care Center	6,580	6,725
Bartley Assisted Living LLC	5,618	5,927
Jersey City Medical Center	170,770	177,720
JFK Assisted Living	10,578	11,062
Meridian Hospitals Corporation	17,090	19,970
Wiley Mission Project	11,070	11,500
Englewood Hospital and Medical Center	83,825	86,475
The Matheny School and Hospital	2,400	2,600
Robert Wood Johnson University Hospital	56,540	60,080
St. Francis Medical Center	1,500	1,700
Virtua Health, Inc.	62,290	64,250
Rahway Hospital	11,000	11,000
Bayshore Community Hospital	2,645	3,480
South Jersey Hospital, Inc.	12,625	13,005
Children's Specialized Hospital	46,270	47,760
AtlantiCare Regional Medical Center	39,000	41,000
Recovery Management, Inc.	12,175	12,620
The Avalon at Hillsborough	-	11,730
East Orange General Hospital	9,250	10,060
FitnessFirst Oradell Center, LLC	5,865	6,460
MHAC I, LLC	30,215	31,035
Southern Ocean County Hospital	17,050	17,345
Somerset Medical Center	22,355	23,555
Underwood-Memorial Hospital	56,075	57,725
Kennedy Health Facilities	16,012	16,293
St. Ann's Home for the Aged	11,625	11,625
Bridgeway Assisted Living	5,252	5,424

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C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

	2011	2010
	($000)	
Loans (Continued)		
Secured by pledge of gross receipts under Master Trust Indenture		
Hackensack Medical Center (currently Hackensack University Medical Center)	$ 444,470	$ 451,495
Saint Peter's Medical Center (currently Saint Peter's University Hospital)	165,815	163,395
Hunterdon Medical Center	48,600	50,015
Pascack Valley Hospital Association	28,538	28,538
Palisades Medical Center Obligated Group (currently a part of Palisades Medical Center of New York Presbyterian Health Care System)	37,560	38,475
Shore Memorial Health Care System	79,085	70,910
South Jersey Hospital System	147,995	151,495
Raritan Bay Medical Center	41,300	42,700
Jersey Shore Medical Center (currently a part of Meridian Health System, Inc.)	-	17,750
Bayonne Hospital Obligated Group	25,110	27,355
Warren Hospital Obligated Group	43,345	44,255
St. Joseph's Hospital and Medical Center Obligated Group	238,470	241,685
AHS Hospital Corporation	465,730	341,840
Newton Memorial Hospital	10,870	22,535
Kennedy Health System Obligated Group	60,090	61,755
Christian Health Care Center	21,680	22,490
Community Medical Center/Kimball Medical Center/ Kensington Manor Center Obligated Group (currently a part of Saint Barnabas Health Care System)	-	20,175
Rahway Hospital Obligated Group	8,020	10,440

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

	2011	2010
	($000)	
Loans (Continued)		
Secured by pledge of gross receipts under Master Trust Indenture (Continued)		
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group (currently a part of Saint Barnabas Health Care System)	$ 12,150	$ 30,190
CentraState Medical Center Obligated Group	113,615	115,875
Virtua Health, Inc.	646,365	660,375
Saint Barnabas Health Care System	335,371	641,105
Catholic Health East	129,315	133,545
Meridian Health System Obligated Group	541,595	536,095
RWJ Health Care Corp. at Hamilton, Obligated Group	110,600	113,845
Trinitas Hospital Obligated Group	130,400	130,400
The House of the Good Shepherd	16,490	16,965
Bayshore Community Hospital	39,450	40,770
Atlantic City Medical Center	50,275	54,190
AtlantiCare Regional Medical Center	111,310	111,920
Chilton Memorial Hospital	39,195	39,195
Princeton Healthcare System	230,000	355,000
Holy Name Medical Center	53,145	55,280
Robert Wood Johnson Hospital	122,275	126,415
Barnabas Health	450,000	-
Total loans receivable	5,723,904	5,747,789
Total mortgages and loans receivable	5,912,790	5,970,759
Less cash and investments held by trustees	682,403	904,327
Mortgages and loans receivable, net	$ 5,230,387	$ 5,066,432

D. CAPITAL ASSET PROGRAM NOTES RECEIVABLE

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

As of December 31, 2011 and 2010, Capital Asset Program notes receivable were:

	2011	2010
	($000)	
Somerset Medical Center	$ -	$ 1,876
P.G. Chambers School (formerly Children's Center for Therapy and Learning, Inc.)	1,046	1,118
Palisades Medical Center, Inc.	1,845	2,560
Cooper Health System	3,904	4,264
Meridian Nursing and Rehabilitation at Ocean Grove	5,962	6,229
South Jersey Hospital	36,129	9,160
CentraState Medical Center	9,000	10,000
Englewood Hospital	9,250	-
Chilton Hospital	5,929	-
Total Capital Asset Program notes receivable	73,065	35,207
Less cash and investments held by trustee	15,529	9,998
Capital Asset Program notes receivable, net	$ 57,536	$ 25,209

E. EQUIPMENT REVENUE NOTES RECEIVABLE

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

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

	2011	2010
	($000)	
FitnessFirst Oradell Center	$ 75	$ 370
Children's Specialized Hospital	778	1,525
Christian Health Care Center	2,233	2,573
Somerset Medical Center	4,083	4,802
Total equipment notes receivable	7,169	9,270
Less cash and investment held by trustee	43	113
Equipments notes receivable, net	$ 7,126	$ 9,157

F. LEASE RECEIVABLE: GREYSTONE PARK PSYCHIATRIC HOSPITAL

The Authority entered into a 50-year lease on December 18, 2003, with the Department of Human Services of the State of New Jersey ("DHS") whereby the Authority obtained a lease on the existing property and buildings of the Greystone Park Psychiatric Hospital. The Authority has agreed to make major improvements to the leased property and sublease the property back to DHS. The improvements are being financed by the issuance of Lease Revenue Bonds of the Authority payable solely from sublease rental payments received from DHS. On December 18, 2003, the Authority issued lease revenue bonds in the aggregate principal amount of $19,125,000 to finance a portion of the improvements. The sublease was also entered into on December 18, 2003. On September 8, 2005, the Authority completed a second issue of lease revenue bonds in the amount of $186,565,000 to construct a new 450 bed replacement facility, including administrative, program and support functions, renovate existing support space and existing patient residential cottages that will house an additional 60 patients. Under the sublease, DHS agrees to make rental payments to the Authority that are sufficient to pay the principal, interest and other costs associated with the financing, subject to appropriation. There is no remedy provided to the Authority under the sublease for any default by DHS in its payment of rent or failure by DHS to make such payments, if moneys are not appropriated. As of December 31, 2011 and 2010, the lease receivable was in the amount of $178,760,000 and $185,585,000, respectively.

G. STATE CONTRACT BONDS RECEIVABLE

The Hospital Asset Transformation Act (*P.L.*2000, c.98) amended the Act 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 Hospital Asset Transformation 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 Hospital Asset Transformation 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 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 the debt service on such bonds, subject to and dependent upon appropriation being made by the State Legislature for such purpose.

At December 31, 2011 and 2010, the State Contract Bonds Receivable was as follows:

	2011	2010
	($000)	
St. Mary's Hospital	$ 40,755	$ 42,390
St. Michael's Medical Center, Inc.	241,700	245,500
Solaris Health System	152,925	152,925
Total State contract bonds receivable	$ 435,380	$ 440,815

H. CASH AND INVESTMENTS

The components of cash and investments at December 31, 2011 and 2010, are as follows:

	2011	2010
	($000)	
Cash and cash equivalents		
Money Market Funds (which includes New Jersey Cash Management Fund)	$ 568,407	$ 537,094
Investments		
Investment agreements		
Collateralized	189,726	332,305
Uncollateralized	-	136,296
U.S. Treasury and Agency obligations	61,046	65,860
Total cash, cash equivalents and investments	$ 819,179	$ 1,071,555

H. CASH AND INVESTMENTS (CONTINUED)

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

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

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

In addition, bond resolutions for FHA-insured mortgages, 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.

I. REVENUE BONDS AND NOTES

The security for the revenue bonds and notes of the Authority 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 and notes do not constitute a debt or liability of the State of New Jersey or any other political subdivision, or a pledge of the faith and credit of the State of New Jersey or any other political subdivision thereof, but are special limited obligations of the Authority payable solely from the

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I. REVENUE BONDS AND NOTES (CONTINUED)

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 Note G.

Revenue bonds and notes outstanding are comprised of the following:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011	Amount Outstanding December 31, 2010
			($000)	
Revenue bonds				
Public issues				
Deborah Heart and Lung Center, Series 1993	2023	6.20 - 6.30	$ 20,085	$ 21,215
Saint Peter's Medical Center, Series F (currently Saint Peter's University Hospital)	2021	5.00	*	26,425
Shore Memorial Health Care System, Series 1993	2012	5.00	*	2,825
Raritan Bay Medical Center, Series 1994	2027	7.25	41,300	42,700
Jersey Shore Medical Center, Series 1994 (currently a part of Meridian Health Systems, Inc.)	2024	5.875 - 6.75	*	17,750
Bayonne Hospital Obligated Group, Series 1994	2012	6.25	2,385	4,630
Shoreline Behavioral Health Center, Series 1997 (currently Saint Barnabas Behavioral Health Center, a part of Saint Barnabas Health Care System)	2027	5.30 - 5.50	*	11,195
Newton Memorial Hospital, Series 1997	2019	4.90 - 5.00	*	11,145
Kennedy Health System Obligated Group, Series 1997 A	2027	5.00 - 5.20	11,605	12,230
Southern Ocean County Hospital, Series 1997	2027	4.75 - 5.00	*	10,355
Christian Health Care Center, Series 1997 B	2028	Weekly variable rate	7,700	8,000
Bayonne Hospital Obligated Group, Series 1998	2027	4.75	22,725	22,725
Community Medical Center/Kimball Medical Center/ Kensington Manor Care Center Obligated Group, Series 1998 (currently a part of Saint Barnabas Health Care System)	2019	5.00 - 5.50	*	20,175
Kennedy Health System Obligated Group, Series 1997 B	2015	5.00 - 5.75	4,620	5,635
Rahway Hospital Obligated Group, Series 1998	2014	5.00 - 5.125	8,020	10,440

*Defeased or paid off.

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I. REVENUE BONDS AND NOTES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011	2010
			($000)	
Revenue bonds (continued)				
Public issues (continued)				
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group, Series 1998A (currently a part of Saint Barnabas Health Care System)	2028	4.75 - 5.25	$ 12,150	$ 30,190
Christian Health Care Center, Series 1998 A-3	2018	Weekly variable rate	400	400
CentraState Medical Center Obligated Group Series 1998	2028	4.50 - 4.65	43,815	45,500
Pascack Valley Hospital Association, Series 1998	2028	4.70 - 5.125	10,884	10,884
Virtua Health Inc., Series 1998	2028	4.50 - 5.25	23,705	79,630
Saint Barnabas Health Care System, Series 1998B	2028	0.00 - 5.25	194,052	346,255
Catholic Health East, Series 1998E	2029	4.30 - 5.25	5,445	5,445
Palisades Medical Center of New York Presbyterian Health Care System Obligated Group Series 1999	2028	4.65 - 5.25	26,645	27,345
Burdette Tomlin Memorial Hospital, Series 1999	2029	5.30 - 5.60	21,620	22,215
Meridian Health System Obligated Group, Series 1999	2029	5.00 - 5.625	*	194,470
Saint Barnabas Health Care System, Series 1998C	2018	5.00 - 5.25	*	9,075
Saint Peter's University Hospital Obligated Group, Series 2000 A	2030	6.875	*	36,795
Saint Peter's University Hospital Obligated Group, Series 2000 B	2030	Weekly variable rate	*	29,280
Saint Peter's University Hospital Obligated Group, Series 2000 C	2030	Weekly variable rate	*	5,720
Southern Ocean County Hospital, Series 2001 (currently a part of Meridian Health System)	2031	4.25 - 5.125	*	21,735
The House of the Good Shepherd Obligated Group, Series 2001	2031	4.50 - 5.20	16,490	16,965
Jersey City Medical Center, Series 2001	2041	4.20 - 5.00	157,405	163,860
Kennedy Health System Obligated Group, Series 2001	2031	5.50 - 5.625	43,865	43,890
St. Barnabas Health Care System, Series 2001 A	2031	Weekly variable rate	*	33,030
St. Barnabas Health Care System, Series 2001 B	2031	Auction rate	*	64,675

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I. REVENUE BONDS AND NOTES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011	Amount Outstanding December 31, 2010
			($000)	
Revenue bonds (continued)				
Public issues (continued)				
Newton Memorial Hospital, Series 2001	2026	3.70 - 5.25	$ 10,870	$ 11,390
Meridian Hospital Corp., Series 2001 A-1	2016	Weekly variable rate	*	1,800
Bayshore Community Hospital, Series 2002	2032	4.00 - 5.125	39,450	40,770
Atlantic City Medical Center, Series 2002	2025	5.25 - 6.25	50,275	54,190
Palisades Medical Center of NY Presbyterian Health Care System Obligated Group, Series 2002	2031	5.50 - 6.625	10,915	11,130
South Jersey Hospital, Series 2002	2032	5.875 - 6.00	3,710	7,210
RWJ Health Corp. at Hamilton, Series 2002	2032	Weekly variable rate	25,165	26,165
Wiley Mission Project, Series 2002	2029	Weekly variable rate	11,070	11,500
Englewood Hospital and Medical Center, Series 2002	2031	3.35 - 5.25	83,825	86,475
Meridian Health System Obligated Group, Series 2003 A	2033	Weekly variable rate	60,000	60,000
Meridian Health System Obligated Group, Series 2003 B	2033	Weekly variable rate	40,000	40,000
Pascack Valley Hospital Association, Series 2003	2036	6.00 - 6.625	17,654	17,654
Somerset Medical Center, Series 2003	2033	5.50 - 5.75	81,390	81,390
The Matheny School and Hospital Inc., Series 2003 A-2	2023	Weekly variable rate	2,400	2,600
Robert Wood Johnson University Hospital, Inc., Series 2003 A-3	2023	Weekly variable rate	15,900	17,900
St. Francis Medical Center, Series 2003 A-5	2018	Weekly variable rate	1,500	1,700
Virtua Health Inc., Series 2003 A-7	2018	Weekly variable rate	5,800	6,500
Shore Memorial Health Care System, Obligated Group, Series 2003	2023	3.00 - 5.00	22,330	23,685
Rahway Hospital, Series 2003 A-8	2023	Weekly variable rate	11,000	11,000
Jersey City Medical Center, Series 2003	2030	3.20 - 4.80	13,365	13,860
Greystone Park Psychiatric Hospital Project, Series 2003	2025	3.40 - 5.00	14,820	15,590
Bayshore Community Hospital, Series 2004 A-1	2014	Weekly variable rate	2,645	3,480
Meridian Nursing and Rehab, Series 2004 A-3	2035	Weekly variable rate	12,710	13,070
South Jersey Hospital, Inc., Series 2004 A-4	2034	Weekly variable rate	12,625	13,005
Robert Wood Johnson Univ. Hospital, Series 2004	2029	Weekly variable rate	40,640	42,180
Virtua Health, Series 2004	2033	Weekly variable rate	56,490	57,750

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I. REVENUE BONDS AND NOTES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011	2010
			($000)	
Revenue bonds (continued)				
Public issues (continued)				
Recovery Management Sys, Inc. Series 2005	2030	Weekly variable rate	$ 12,175	$ 12,620
The Avalon at Hillsborough, Series 2005 A	2035	6.15 - 6.625	*	10,880
RWJ Health Care Corp. @ Hamilton, Series 2005 A	2024	Auction rate	23,925	25,150
RWJ Health Care Corp. @ Hamilton, Series 2005 B	2035	4.00 - 5.00	61,510	62,530
Greystone Park Psychiatric Hospital Project, Series 2005	2028	3.50 - 5.00	163,940	169,995
Children's Specialized Hospital, Proj., Series 2005 A	2036	5.00 - 5.50	31,050	31,540
Children's Specialized Hospital, Proj., Series 2005 B	2036	Weekly variable rate	15,220	16,220
AtlantiCare Regional Med. Ctr., Series 2005 A-1	2030	Weekly variable rate	19,000	20,000
Christian Health Care Center, Series 2005 A-2	2035	Weekly variable rate	6,180	6,325
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	17,050	17,345
Holy Name Hospital, Series 2006	2036	5.00 - 5.25	60,000	60,000
South Jersey Hospital, Series 2006	2046	5.00	144,285	144,285
AtlantiCare Regional Medical Center, Series 2006 A-1	2031	Weekly variable rate	20,000	21,000
East Orange General Hospital, Series 2006 A-2	2021	Weekly variable rate	9,250	10,060
Meridian Nursing and Rehabilitation, Series 2006 A-3	2031	Weekly variable rate	4,380	5,100
MHAC I, LLC, Series 2006 A-4	2027	Weekly variable rate	19,300	20,120
MHACI, 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	5,865	6,460
CentraState Medical Center, Series 2006 A	2021	3.625 - 4.00	40,350	40,775
CentraState Medical Center, Series 2006 B	2037	Weekly variable rate	29,450	29,600

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I. REVENUE BONDS AND NOTES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011	Amount Outstanding December 31, 2010
			($000)	
Revenue bonds (continued)				
Public issues (continued)				
Saint Barnabas Health Care System, Series 2006 A	2029	5.00	$ 63,070	$ 63,070
Saint Barnabas Health Care System, Series 2006 B	2038	0.00	78,249	125,000
Hunterdon Medical Center, Series 2006 B	2036	4.00 - 5.00	16,945	17,040
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	12,830	14,465
Catholic Health East Health System, Series 2007 E	2033	Indexed rate	1,445	1,455
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	65,350	65,350
AtlantiCare Regional Medical Center, Series 2007	2037	4.00 - 5.00	111,310	111,920
Meridian Health System Obligated Group, Series 2007	2038	5.00 and Weekly variable rate	241,000	241,625
Saint Peter's University Hospital Obligated Group, Series 2007	2037	5.25 - 5.75	65,175	65,175
Hackensack University Medical Center, Series 2008	2041	4.00 - 5.375	240,780	243,960
AHS Hospital Corp., Series 2008 A	2023	3.50 - 5.125	158,075	164,730
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	56,075	57,725
St. Michael's Medical Center (HATP), Series 2008 A	2038	5.00 - 5.50	241,700	245,500

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I. REVENUE BONDS AND NOTES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011 ($000)	2010
Revenue bonds (continued)				
Public issues (continued)				
Somerset Medical Center, Series 2008	2024	Weekly variable rate	$ 22,355	$ 23,555
St. Joseph's Healthcare System Obligated Group, Series 2008	2038	5.75 - 6.625	238,470	241,685
Christian Health Care Center, Series 2009	2038	Weekly variable rate	13,980	14,490
Virtua Health, Series 2009 A	2038	4.375 - 6.00	379,645	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 2009D	2043	Weekly variable rate	65,000	65,000
Virtua Health, Series 2009E	2043	Weekly variable rate	20,000	20,000
Solaris (HATP), Series 2009A	2032	4.00 - 5.75	152,925	152,925
Chilton Memorial Hospital, Series 2009	2039	4.00 - 5.75	39,195	39,195
Catholic Health East, Series 2010	2033	2.00-5.25	122,425	126,645
Princeton HealthCare System, Series 2010A	2041	Weekly variable rate	*	125,000
Princeton HealthCare System, Series 2010B	2041	Weekly variable rate	**	55,000
Hackensack University Medical Center, Series 2010	2034	3.00-5.00	82,450	86,295
Holy Name Medical Center, Series 2010	2025	3.00-5.00	53,145	55,280
Robert Wood Johnson University Hospital, Series 2010	2031	2.00-5.00	122,275	126,415
Hackensack University Medical Center, Series 2010B	2028	4.00-5.00	121,240	121,240
AHS Hospital Corp., Series 2011	2041	4.00-6.00	130,545	-
Saint Peter's University Hospital Obligated Group, Series 2011	2035	5.00-6.25	100,640	-
Barnabas Health, Series 2011A	2041	3.00-5.75	370,000	-
Barnabas Health, Series 2011B	2038	weekly variable rate	37,010	-
Barnabas Health, Series 2011C	2038	weekly variable rate	42,990	-
Meridian Health System, Series 2011	2027	2.00-5.00	200,595	-
Total public issues			6,073,809	6,248,713

**Public issue was tendered and remarketed as private issue during 2011.

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I. REVENUE BONDS AND NOTES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011	2010
			($000)	
Revenue bonds (continued)				
Private placements				
CentraState Assisted Living, Inc., Series 1998	2018	4.37	$ 5,791	$ 6,060
Bartley Assisted Living LLC, Series 2000	2025	Monthly variable rate	5,618	5,927
JFK Assisted Living Series 2001	2026	5.65	10,578	11,062
The Avalon at Hillsborough, Series 2005 B	2014	9.00	*	850
Virtua Health, Inc., Series 2006	2013	Weekly variable rate	10,930	16,100
Warren Hospital Obligated Group, Series 2008 A	2038	7.25	33,840	33,840
Warren Hospital Obligated Group, Series 2008 B	2018	10.00	9,505	10,415
Shore Memorial Hospital Obligated Group, Series 2009	2039	Indexed rate	29,115	29,550
Kennedy Health Facilities, Inc. Series 2009	2039	Weekly variable rate	16,012	16,293
Hunterdon Medical Center, Series 2009	2036	Indexed rate	10,130	11,450
Shore Memorial Hospital Obligated Group, Series 2010	2039	Indexed rate	14,640	14,850
St. Ann's Home for the Aged, Series 2010	2040	Indexed rate	11,625	11,625
Princeton HealthCare System, Series 2010B	2041	Indexed rate	55,000	-
Princeton HealthCare System, Series 2010C	2041	Indexed rate	100,000	100,000
Princeton HealthCare System, Series 2010D	2041	Indexed rate	75,000	75,000
Bridgeway Assisted Living L.L.C., Series 2010	2020	Indexed rate	5,252	5,424
Virtua Health, Inc., Series 2011	2018	1.062-1.956	47,085	-
Shore Memorial Hospital, Series 2011	2022	5.00	13,000	-
Total private placements			453,121	348,446
Capital asset program				
Capital Asset Program, Series A, B, C, D			100,000	100,000
Total Capital Asset Program			100,000	100,000
Equipment revenue notes				
FitnessFirst Oradell Center, LLC, Series 2007	2012	3.92	75	370
Children's Specialized Hospital, Series 2007	2012	3.92	778	1,525
Christian Health Care Center, Series 2008	2013	3.60	2,209	2,527
Christian Health Care Center, Series 2008	2013	3.60	24	46
Christian Health Care Center, Series 2009	2016	5.45	4,083	4,802
Total equipment revenue notes			7,169	9,270
Total revenue bonds and notes			$6,634,099	$6,706,429

I. REVENUE BONDS AND NOTES (CONTINUED)

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

	Principal	Interest	Total
2012	$ 167,156	$ 282,332	$ 449,488
2013	182,151	288,190	470,341
2014	183,146	280,198	463,344
2015	185,059	271,341	456,400
2016	184,462	262,646	447,108
Thereafter	5,732,125	3,021,088	8,753,213
	$ 6,634,099	$ 4,405,795	$ 11,039,894

Several Authority bond issues are subject to periodic interest rate reset. Interest expense in future years, as reflected on this schedule for variable rate bonds, is estimated based on rates in effect at or close to December 31, 2011.

J. COMPLIANCE WITH BOND PROVISIONS

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

In the event an organization violates any of the said covenants, the bond documents outline various actions to be taken by the borrower, trustee and/or the Authority ranging from requiring an independent consultant's report related to the reasons for violations, to the appointment of a third-party to take over the management of the organization, If an Event of Default, as defined in the Series Resolution, or the Authority's General Resolution does occur, the trustee may, and upon request of the required percentage of holders in principal amount of the outstanding bonds of the applicable series, shall declare the principal immediately due and payable from the respective borrower within thirty days of written notification to the Authority or the trustee.

The Authority routinely monitors the financial condition of all borrowers to determine compliance with the requirements pursuant to related bond documents, As of December 31, 2011, there were the following Events of Default of the Authority's bond issues:

J. COMPLIANCE WITH BOND PROVISIONS (CONTINUED)

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, continues to pay to the Bondholders interest and principal according to the debt service schedules.

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 settlement was made to Bondholders on September 30, 2008, March 18, 2009, September 9, 2009, and March 30, 2010. In 2011, no principal was paid to bondholders from the bankruptcy estate due to insufficient funds. When the bankruptcy estate determines there are no longer any funds to satisfy the bondholders or any other creditors, the remaining principal and interest due the bondholders will be cancelled.

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 appropriations.

K. DEFEASED ISSUES

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

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

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

K. DEFEASED ISSUES (CONTINUED)

A summary of outstanding balances as of December 31, 2011 and 2010, by issue, is as follows:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011	Amount Outstanding December 31, 2010
			($000)	
Defeased public issues				
The Overlook Hospital Association, Series C (currently a part of AHS Hospital Corporation)	2011	6.90	$ -	$ 1,405
St. Francis Hospital, Series A (currently a part of Bon Secours Health System, Inc.)	2012	8.00	1,710	3,295
Bridgeton Hospital Association, Series B (currently a part of South Jersey Hospital System)	2013	6.00 - 10.50	3,000	4,370
Saint Barnabas Medical Center, Series A (currently a part of Saint Barnabas Health Care System)	2011	7.00	-	765
Burlington County Memorial Hospital, Series C (currently a part of Virtua Health, Inc.)	2012	6.00	5,560	10,500
The General Hospital Center at Passaic, Series 1994 (currently a part of AHS Hospital Corporation)	2019	6.00 - 6.75	36,905	40,375
Allegany Health-Our Lady of Lourdes, Series 1993 (currently a part of Catholic Health East)	2018	5.00 - 5.20	21,125	23,570
Riverview Medical Center, Series 1994 (currently a part of Meridian Health System, Inc.)	2011	5.50 - 6.25	-	3,120
St. Mary Hospital, Series 1993 (currently a part of Bon Secours Health System, Inc.)	2012	5.875	2,440	4,740

K. DEFEASED ISSUES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2011	Amount Outstanding December 31, 2010
			($000)	
Defeased public issues (Continued)				
AHS Hospital Corporation, Series 1997 A	2027	5.00 - 6.00	10,575	15,420
Catholic Health East, Series 2003 A	2012	3.20 - 5.375	43,440	44,030
Cathedral Health Services, Inc., Series 1998	2011	4.70 - 5.50	-	3,660
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	18,590	22,765
St. Joseph's Hospital and Medical Center, Series 1996 B	2011	7.70	-	480
Capital Health System Obligated Group, Series 2003 A	2033	4.00 - 5.75	82,515	85,485
Jersey Shore Medical Center Series 1994 (part of Meridian Health System)	2012	5.875-6.75	16,555	-
Southern Ocean County Hospital, Series 1997 (part of Meridian Health System)	2012	4.75-5.0	9,955	-
Meridian Health System Obligated Group, Series 1999	2012	5.0-5.625	187,405	-
Southern Ocean County Hospital, Series 2001 (part of Meridian Health System)	2012	4.25-5.125	21,125	-
Total defeased public issues			519,900	322,980
Partially defeased public issues				
Saint Barnabas Health Care System, Series 1998 B	2023	0.00 - 5.25	148,098	17,413
South Jersey Hospital, Series 2002	2012	4.375 - 6.00	143,415	143,415
Atlantic City Medical Center, Series 2002 (currently AtlantiCare Health System)	2012	4.85 - 6.25	36,775	36,775
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group, Series 1998A	2012	4.75-5.25	15,835	-
Total partially defeased public issues			344,123	197,603
Total defeased issues			$ 864,023	$ 520,583

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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the New Jersey Health Care Facilities Financing Authority (the "Authority") as of and for the year ended December 31, 2011, and have issued our report thereon dated February 22, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts 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.*

This report is intended solely for the information and use of management, members of the New Jersey Health Care Facilities Financing Authority, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Mercadien, PC
Certified Public Accountants

February 22, 2012