

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL FINANCIAL INFORMATION  
New Jersey Health Care Facilities Financing Authority  
(A Component Unit of the State of New Jersey)  
December 31, 2006

New Jersey Health Care Facilities  
Financing Authority  
(A Component Unit of the State of New Jersey)

Financial Statements  
and Supplemental Financial Information

December 31, 2006

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## Report of Independent Auditors

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

We have audited the accompanying balance sheets of the New Jersey Health Care Facilities Financing Authority, a component unit of the State of New Jersey, as of December 31, 2006 and 2005 and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2006 and 2005 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 5, during 2005, the Authority adopted Governmental Accounting Standards Board Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*"

Management's discussion and analysis and the schedule of funding progress, on pages 3 to 6, and page 21, respectively, are not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Ernst + Young LLP*

February 16, 2007

New Jersey Health Care Facilities  
Financing Authority  
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis  
Year ended December 31, 2006

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, 2006. Please read it in conjunction with the Authority's financial statements and accompanying notes.

**Financial Highlights**

The Authority's total net assets increased \$1,107,000 or 18.1%  
Cash and Investments increased \$78,000 or 1.6%  
Operating Revenue increased \$190,000 or 4.7%  
Operating Expenses increased \$175,000 or 5.4%  
Operating Income increased \$15,000 or 1.9%

**Overview of the Financial Statements**

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

**Financial Analysis of the Authority**

**Net Assets** – The following table represents the changes in net assets between December 31, 2006, 2005 and 2004:

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>Increase/ (Decrease) 2005-2006</b>	<b>Increase/ (Decrease) 2005-2006</b>
	(\$000)	(\$000)	(\$000)	(\$000)	(%)
Current assets	\$8,699	\$7,084	\$5,793	\$1,615	22.8%
Noncurrent assets	221	286	132	(65)	(22.7)%
Total assets	8,920	7,370	5,925	1,550	21.0%
Current liabilities	1,092	967	722	125	12.9%
Noncurrent liabilities	614	296	–	318	107.4%
Total liabilities	1,706	1,263	722	443	35.1%
Total net assets	\$7,214	\$6,107	\$5,203	\$1,107	18.1%

Current Assets are comprised of Cash and Cash Equivalents, Investments, Administrative Fees and Other Receivables, a Note Receivable and Prepaid Expenses. As of December 31, 2006, the majority of available funds were being held liquid in the New Jersey Cash Management Fund. In September 2006, the five (5) agency investments that made up the Authority's portfolio at that time were sold since market conditions at the time indicated investment in the New Jersey Cash Management Fund would yield higher earnings. The yield at the time of sale on the investments ranged from 2.875% to 4.00%. The yield on the New Jersey Cash Management Fund at December 31, 2006 was 5.17%. Overall, Cash and Investments increased only \$78,000 or 1.6% due in part to the Note Receivable in the amount of \$1,500,000 to Passaic Beth Israel Hospital Association (PBI) as further described in Note 10 to the financial statements. Administrative Fees and Other Receivables in total increased \$36,000 from year end 2005. The Administrative Fees receivable portion which represents the Authority's semi-annual fee billing that was done on December 31, 2006 increased \$79,329 when compared to the semi-annual fee billing that was done on December 31, 2005. The semiannual fee billings done on December 31, 2006 and 2005 totaled \$1,992,308 and \$1,912,979, respectively. Offsetting that increase was an overall decrease in the category Other Receivables. Other Receivables in part, include receivables from the Authority's client institutions for trustee fees that have been billed to the Authority, which the Authority in turn bills to the institutions, the construction manager and financial data analysis services provided by the Authority to the New Jersey Department of Health and Senior Services and accrued interest receivable on the Note Receivable.

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. In 2006, noncurrent assets decreased \$65,000 or 22.7% due in part to an increase in accumulated depreciation. Accumulated depreciation increased as a result of the replacement of the Authority's office furniture in 2004 and 2005 and the purchase of four (4) Authority vehicles at the end of 2005.

Current Liabilities in 2006 are comprised of Accounts Payable, Accrued Expenses and Deferred Revenue. Accounts Payable and Accrued Expenses increased \$13,000 or 4.6% compared to December 31, 2005. This was due in part to the continued increase in the Authority's employer pension expense and the percentage due. Chapter 108, P.L. 2003 called for the return of employer pension contributions on a phase-in basis with 20% of the actuarially calculated amount due in 2005, 40% was due in 2006, 60% will be due in 2007, 80% will be due in 2008 and 100% will be due in 2009. The Authority has recorded a payable for the period July 1, 2005 to June 30, 2006 which is due April 1, 2007 and accrued an estimated employer pension expense for the period July 1, 2006 to December 31, 2006. Deferred Revenue increased \$112,000 or 16.4% compared to December 31, 2005. It represents the semi-annual fees billed on December 31, 2006 and 2005 which cover the periods January 1, 2007 to June 30, 2007 and January 1, 2006 to June 30, 2006, respectively. Deferred Revenue will increase from year to year as a result of completed financings being added to the semi-annual fee billing schedule. Financings completed since January 1, 2003 are billable in advance.

Noncurrent liabilities in 2006 represents the Authority's unfunded actuarial accrued liability for postemployment benefits other than pensions in accordance with GASB No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*. As of December 31, 2006 the net OPEB obligation totals \$614,000. Further information regarding this liability can be found in Note 5 to the financial statements.

**Changes in Net Assets** – The following table represents the changes in net assets between fiscal years 2006, 2005 and 2004:

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>Increase/ (Decrease) 2005-2006</b>	<b>Increase/ (Decrease) 2005-2006</b>
	(\$000)	(\$000)	(\$000)	(\$000)	(%)
Operating revenues:					
Administrative fees:					
Annual fees	\$4,140	\$3,663	\$3,433	\$ 477	13.0%
Initial fees		285	510	(285)	(100.0)%
Capital asset application fees	1			1	N/A
Mortgage servicing and Section 142 (d) fees	62	65	67	(3)	(4.6)%
Total operating revenues	4,203	4,013	4,010	190	4.7%
Operating expenses:					
Salaries and related expenses	2,216	2,053	1,925	163	7.9%
General and administrative Provision for postemployment benefits	597	626	655	(29)	(4.6)%
Professional fees and other	334	311		23	7.4%
Professional fees and other	256	238	160	18	7.6%
Total operating expenses	3,403	3,228	2,740	175	5.4%
Operating income	800	785	1,270	15	1.9%
Nonoperating revenues (expenses):					
Interest income	290	119	44	171	143.7%
Other	17			17	N/A
Total nonoperating revenues (expenses)	307	119	44	188	158.0%
Change in net assets	1,107	904	1,314	203	22.5%
Net assets, beginning of year	6,107	5,203	3,889	904	17.4%
Net assets, end of year	\$7,214	\$6,107	\$5,203	\$1,107	18.1%

The Authority's Net Assets increased \$1,107,000 or 18.1% from the end of calendar year 2005 to 2006. When comparing the Change in Net Assets amount, there was an increase of \$203,000 or 22.5% from 2005 to 2006. The increase in the Authority's Net Assets and Change in Net Assets is described in further detail in the sections that follow.

Operating Revenues – During 2006, Annual Fees increased \$477,000 while Initial Fees decreased \$285,000 when compared to 2005. Concerning Annual Fees, in 2006 the Authority completed seventeen (17) financings compared to nine (9) in 2005 and as a result new issues are constantly being added to the annual fee billing schedule. This, in turn, will result in an increase in annual fee income from year to year. In addition, effective in 2006, initial fees were

eliminated and were replaced with an upfront fee equal to one-half of the annual fee which is charged 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 bonds and/or notes.

Operating Expenses – During 2006, operating expenses increased \$175,000 or 5.4% when compared to 2005. There were salary and health benefit premium increases effective January 1, 2006. In addition, there were increases in the line items Professional Fees and other and the Provision for postemployment benefits. The increase in Professional Fees and other is due in part to an increase in depreciation expense. Slightly offsetting the increases in those line items was an overall decrease in the line item general and administrative expenses. These expenses are for the basic day to day items needed to maintain an office and include but are not limited to, non-depreciable capital assets, telephone, postage, office supplies, printing, equipment and software maintenance, archiving documents, equipment rental and insurance.

Nonoperating Revenues (Expenses) – Interest income in 2006 and 2005 represented interest earned on the Authority's checking accounts and operating funds invested in Agency and/or Treasury securities and in the New Jersey Cash Management Fund adjusted to their respective fair values. Interest earned in 2006 totaled \$290,000 when taking into account the adjustment for the increase in the fair value in investments of \$18,000. By comparison, interest earned in 2005 totaled \$119,000 when taking into account the adjustment for the decrease in the fair value in investments of \$21,000. During 2006, the Authority's investment portfolio included eight (8) agency securities with interest rates ranging from 2.00% to 4.00%. Of the eight (8) investments, three (3) matured in 2006 and as discussed previously, the remaining investments were sold in September 2006. The funds from the matured and disposed investments were placed in the New Jersey Cash Management Fund. It should also be noted, that included in the interest income for 2006, is the interest on the Note Receivable as further described in Note 10 to the financial statements. By contrast, during 2005, the Authority's investment portfolio included nine (9) agency securities and one (1) treasury security with interest rates ranging from 1.50% to 4.00%. Further, the yield on the New Jersey Cash Management fund went from 4.12% as of December 31, 2005 to 5.17% as of December 31, 2006. Finally, the majority of the other income represents the payment received in 2006 through the New Jersey's Alternative Fuel Vehicle Rebate Program for the hybrid vehicles purchased in 2005.

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

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

New Jersey Health Care Facilities  
 Financing Authority  
 (A Component Unit of the State of New Jersey)

Balance Sheets

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
	(\$000)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$4,931	\$ 915
Investments	—	3,938
Administrative fees and other receivables	2,123	2,087
Note receivable	1,500	—
Prepaid expenses	145	144
Total current assets	<b>8,699</b>	7,084
Noncurrent assets:		
Capital assets	731	742
Less accumulated depreciation	(510)	(456)
Total noncurrent assets	<b>221</b>	286
Total assets	<b>\$8,920</b>	\$7,370
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 297	\$ 284
Deferred revenue	795	683
Total current liabilities	<b>1,092</b>	967
Noncurrent liabilities:		
Postemployment benefits other than pension	614	296
Total liabilities	<b>1,706</b>	1,263
Net assets:		
Unrestricted	6,993	5,821
Invested in capital assets	221	286
	<b>7,214</b>	6,107
Total liabilities and net assets	<b>\$8,920</b>	\$7,370

*See accompanying notes.*

New Jersey Health Care Facilities  
 Financing Authority  
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Statements of Revenues, Expenses and Changes in  
 Fund Net Assets

	Year ended December 31	
	2006	2005
	(\$000)	
Operating revenues:		
Administrative fees:		
Annual fees	\$4,140	\$3,663
Initial fees	–	285
Capital asset program application fees	1	–
Mortgage servicing fees	44	47
Section 142 (d) fees	18	18
Total operating revenues	4,203	4,013
Operating expenses:		
Salaries and related expenses	2,216	2,053
General and administrative expenses	597	626
Professional fees	168	178
Provision for postemployment benefits	334	311
Depreciation	88	60
Total operating expenses	3,403	3,228
Operating income	800	785
Nonoperating revenues:		
Interest income	279	119
Other income	17	–
Note interest income	11	–
Total nonoperating revenues	307	119
Changes in net assets	1,107	904
Net assets, beginning of year	6,107	5,203
Net assets, end of year	\$7,214	\$6,107

*See accompanying notes.*

New Jersey Health Care Facilities  
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Statements of Cash Flows

	<b>Year ended December 31</b>	
	<b>2006</b>	<b>2005</b>
	(\$000)	
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 4,288	\$ 3,931
Cash payment to suppliers and employees	(2,985)	(2,786)
Net cash provided by operating activities	<b>1,303</b>	1,145
<b>Cash flows from capital and related financing activities</b>		
Acquisition of capital assets	(23)	(215)
Net cash used in capital and related financing activities	<b>(23)</b>	(215)
<b>Cash flows from noncapital financing activities</b>		
Other	17	—
Note issued to client institution	(1,500)	—
Interest received on note	2	—
Net cash used in noncapital financial activities	<b>(1,481)</b>	—
<b>Cash flows from investing activities</b>		
Investments purchased	—	(1,965)
Proceeds from sale and maturities of securities	3,935	1,000
Investment income	282	136
Net cash provided by (used in) investing activities	<b>4,217</b>	(829)
Net increase in cash and cash equivalents	<b>4,016</b>	101
Cash and cash equivalents, beginning of year	<b>915</b>	814
Cash and cash equivalents, end of year	<b>\$ 4,931</b>	\$ 915
Operating income	<b>\$ 800</b>	\$ 785
Adjustments:		
Depreciation	<b>88</b>	60
Interest income on Note	<b>9</b>	—
Changes in asset and liabilities:		
Accounts receivable	<b>(36)</b>	(249)
Prepaid expenses	<b>(1)</b>	8
Deferred revenue	<b>112</b>	167
Accounts payable	<b>13</b>	78
Liability for postemployment benefits	<b>318</b>	296
Total adjustments	<b>503</b>	360
Net cash provided by operating activities	<b>\$ 1,303</b>	\$ 1,145
<b>Supplemental schedule of noncash investing activities</b>		
Change in fair value of investments	<b>\$ 18</b>	\$ (21)

*See accompanying notes.*

New Jersey Health Care Facilities  
Financing Authority  
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

December 31, 2006

**1. Organization**

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

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

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

The Authority is exempt from both federal and state taxes.

**2. Summary of Significant Accounting Policies**

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

New Jersey Health Care Facilities  
Financing Authority  
(A Component Unit of the State of New Jersey)

Notes to Financial Statements (continued)

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

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Authority follows the pronouncements of only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

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

*Administrative Fees* – Effective January 1, 2006, the Authority charges an upfront fee equal to one-half of the annual 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. The upfront fee replaced the initial fee which was in place through December 31, 2005. 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.

*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.

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

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

*Depreciation* – Capital assets as listed below, are depreciated over their estimated useful lives using the straight-line method as follows:

	<b>Useful Lives</b>
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.

**3. Cash and Investments**

The components of cash and investments at December 31, 2006 and 2005 are:

	<b>2006</b>	<b>2005</b>
	<i>(000's)</i>	
Cash and cash equivalents:		
Operating checking account	\$ 11	\$ 26
New Jersey Cash Management Fund	<b>4,920</b>	889
Investments:		
U.S. Agency obligations	–	3,938
Total cash, cash equivalents and investments	<b>\$4,931</b>	<b>\$4,853</b>

The Authority’s bank balance at December 31, 2006 and 2005 amounted to \$16,027 and \$64,970, respectively, all of which was covered by FDIC insurance.

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

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

The Authority's investment policy permits the following securities and investment vehicles; (i) Obligations of or guaranteed by the State of New Jersey or the United States of America (including obligations which have been stripped of their unmatured interest coupons, and interest coupons which have been stripped from such obligations); (ii) Obligations issued or guaranteed by any instrumentality or agency of the United States of America, whether now existing or hereafter organized; (iii) Obligations issued or guaranteed by any State of the United States or District of Columbia, so long as such obligations are rated at the time of purchase in either of the highest two credit rating categories by any two nationally recognized securities rating agencies; (iv) Repurchase agreements and guaranteed investment contracts with any banking institution, where such agreement or contract is fully secured by obligations of the kind specified in (i), (ii) or (iii) above, provided that such security is held by a third party and that the seller of such obligations represents that such obligations are free and clear of claims by any other party; (v) Interest-bearing deposits in any bank or trust company provided that all such deposits shall, to the extent not insured, be secured by a pledge of obligations of the kind in (i), (ii) or (iii); (vi) Units of participation in the 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. As of December 31, 2006 and 2005, all investments were made in accordance with the Authority's investment policy.

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.

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

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

As of December 31, 2004, the Authority implemented disclosure requirements of Governmental Accounting Standards Board Statement No. 40 “Deposit and Investment Risk Disclosures” (“GASB 40”) 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.

At December 31, 2006 and December 31, 2005, the Authority’s bank balance was not exposed to custodial credit risk since the full amount was covered by FDIC insurance. The New Jersey Cash Management 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.

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

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

As of December 31, 2006, there were no investments in the Authority's portfolio. The majority of available funds were being held in the New Jersey Cash Management Fund. As of December 31, 2005, the Authority's investments were comprised of U.S. Agencies in the amount of \$3,938,247. 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. At December 31, 2005 more than 5 percent of the Authority's investments were in Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and Federal National Mortgage Association (FNMA) obligations. These investments were 12.45%, 37.65% and 49.90%, respectively, of the Authority's total investments.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. 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. All U.S. Agency obligations as of December 31, 2005 had a rating Aaa by Moody's. 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

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

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

investment portfolio to determine if based on the interest rate environment, other investment vehicles would provide higher yields that lower the cost and risk. As of December 31, 2005, the Agencies had maturities ranging from January 15, 2006 through February 15, 2009. The maturities in 2007, 2008 and 2009 were sold in September 2006. Market conditions at that time indicated investment in the New Jersey Cash Management Fund would yield higher earnings. The yield at time of sale on the investments ranged from 2.875% to 4.00%.

**4. Pension Plan**

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

The Authority's total and covered payroll for the years ended December 31, 2006, 2005 and 2004 were \$1,709,604, \$1,611,042 and \$1,509,563, respectively. Pension costs for the years ended December 31, 2006, 2005 and 2004 were \$68,918, \$40,488 and \$17,193, 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 5.00% in 2006 and 2005 and 3.00% in 2004.

**5. Postemployment Benefits Other Than Pensions**

The Authority sponsors and administers a single employer 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 the Public Employees Retirement System (PERS) and 10 years of service with the Authority.

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

**5. Postemployment Benefits Other Than Pensions**

- 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.

Benefit provisions for the plan are established and amended through the Member's of the Authority and there is no statutory requirement for the Authority to continue this plan for future Authority employees. The plan, which is funded on a pay-as-you-go basis, is a non contributory plan with all payments for plan benefits being funded by the Authority.

The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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's annual OPEB cost for the year ended December 31, 2006 and 2005 and the related information for the plan are as follows (dollar amounts in thousands):

	<b>2006</b>	<b>2005</b>
Annual required contribution	<b>\$334</b>	\$311
Contributions made (payment for benefits during year)	<b>(16)</b>	(15)
Increase in net OPEB obligation	<b>318</b>	296
Net OPEB obligation—beginning of year	<b>296</b>	-
Net OPEB obligation—end of year	<b>\$614</b>	\$296

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2006 were as follows (dollar amounts in thousands):

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
December 31, 2005	\$311	4.8%	\$296
December 31, 2006	334	4.8%	614

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Notes to Financial Statements (continued)

**5. Postemployment Benefits Other Than Pensions (continued)**

January 1, 2006 and 2005, the actuarial accrued liability for benefits was \$2,760,222 and \$2,510,171, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,710,000 for the year ended December 31, 2006, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 161%.

The actuarial valuation date is January 1, 2006. 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, 2006 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 10% medical grading down to an ultimate rate of 5%. The unfunded actuarial accrued liability is being amortized over 30 years as a level dollar on an open basis. The remaining amortization period at January 1, 2006 was 29 years.

**6. 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.

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

**7. Related Party Transactions**

Operating expenses for the years ended December 31, 2006 and 2005 include approximately \$192,000 and \$204,000, respectively, relating to payment for goods and services provided by various State of New Jersey agencies.

**8. Conduit Debt**

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financing. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. During the year ended December 31, 2006, the Authority issued \$813,675,000 in conduit debt. The amount of conduit debt outstanding at December 31, 2006 totaled \$5,727,857,000.

**9. 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, 2006 through December 18, 2007 has a \$20 million limit of liability with a retention level of \$250,000 at a premium cost of \$106,143.

**10. Note Receivable — Debtor in Possession (DIP) Loan**

On July 10, 2006, Passaic Beth Israel Hospital Association ("PBI") filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The bankruptcy court conducted an auction for the sale of PBI and on December 11, 2006, St. Mary's Hospital of Passaic ("St. Mary's") was declared the winner of the auction with a bid of \$36,700,000. St. Mary's agreed that it would close its facility and move the operations to PBI. This qualified it for financing through the Hospital Asset Transformation Act, which allows the State of New Jersey to support a portion or all of the debt issued for the transaction.

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

**10. Note Receivable — Debtor in Possession (DIP) Loan (continued)**

Further, on November 13, 2006, the Bankruptcy Court entered an order authorizing a debtor in possession financing from Commerce Bank, N.A. to PBI in the amount of \$5,000,000. The order also stated that the loan would be a senior lien to all other liens in the bankruptcy.

Consequently, on December 4, 2006, the Authority became a party to the debtor-in-possession loan with Commerce Bank, N.A. The Authority's participation in the loan is in the amount of \$1,500,000 with interest at prime (currently 8.25%) plus 2%. The loan is repayable no later than February 28, 2007.

The Authority is in the process of putting together a bond issue for St. Mary's to allow them to purchase PBI and provide working capital as well as funds for the transition from St. Mary's to PBI. The bond issue will have several different series of bonds. All of the series will be issued under the Hospital Asset Transformation Act and as such will be secured through appropriations by the State of New Jersey. It is anticipated that the bond issue will close before February 28, 2007 and that the debtor-in-possession note receivable will be repaid at that time.

## Required Supplementary Information

New Jersey Health Care Facilities  
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Required Supplementary Information

Schedule of Funding Progress for the Retiree Healthcare Plan  
 (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, 2005	\$ –	\$2,510	\$2,510	0%	\$ 1,611	156%
January 1, 2006	–	2,760	2,760	0	1,710	161

## Supplemental Financial Information

New Jersey Health Care Facilities  
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Statements of Net Assets for Trustee Held Funds

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
	(\$000)	
<b>Assets</b>		
Mortgages and loans receivable	<b>\$4,466,814</b>	\$4,199,685
Lease receivable	<b>205,015</b>	205,690
Equipment revenue notes receivable	<b>2,285</b>	3,212
Capital Asset Program notes receivable	<b>60,970</b>	71,381
Construction/program accounts:		
Cash and cash equivalents	<b>579,675</b>	482,886
Investments	<b>30,926</b>	39,139
Prepaid expenses	<b>8</b>	8
Debt service accounts:		
Cash and cash equivalents	<b>162,474</b>	174,544
Investments	<b>17,495</b>	12,824
Receivable from master trustee/institution	<b>6,391</b>	6,169
Debt service reserve accounts:		
Cash and cash equivalents	<b>162,731</b>	98,831
Investments	<b>131,844</b>	168,555
Mortgage servicing accounts:		
Cash and cash equivalents	<b>1,456</b>	1,939
Mortgage payments receivable	<b>714</b>	753
Total assets	<b>\$5,828,798</b>	\$5,465,616
<b>Liabilities and net assets</b>		
Bonds payable	<b>\$5,725,399</b>	\$5,356,465
Revenue notes payable	<b>2,458</b>	3,555
Accrued interest payable	<b>97,820</b>	102,036
Accrued expenses	<b>251</b>	249
Mortgages and escrows payable	<b>2,170</b>	2,692
Deferred income	<b>–</b>	15
Capital Asset Program net assets	<b>700</b>	604
Total liabilities and Capital Asset Program net assets	<b>\$5,828,798</b>	\$5,465,616

*See accompanying notes.*

New Jersey Health Care Facilities  
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Statements of Cash Flows for Trustee Held Funds

	<b>Year ended December 31</b>	
	<b>2006</b>	<b>2005</b>
	(\$000)	
<b>Cash flows from operating activities</b>		
Payments received from institutions under agreements	<b>\$ 390,326</b>	\$ 364,973
Equity contribution from institutions	<b>30,944</b>	25,912
Disbursements for construction/acquisition and issuance expense	<b>(466,236)</b>	(305,079)
Other receipts (disbursements)	<b>1,165</b>	(1,929)
Net cash (used in) provided by operating activities	<b>(43,801)</b>	83,877
<b>Cash flows from noncapital financing activities</b>		
Face amount of revenue bonds	<b>813,675</b>	414,650
Less deductions at time of sale	<b>(64,936)</b>	(20,664)
Accrued interest to date of delivery	<b>132</b>	113
Refunding of pre-existing debt/escrow fund deposit	<b>(186,946)</b>	-
Net proceeds from sale of revenue bonds	<b>561,925</b>	394,099
Principal/premium paid on revenue bonds	<b>(183,322)</b>	(148,493)
Interest paid on revenue bonds	<b>(266,322)</b>	(236,170)
Net cash provided by noncapital financing activities	<b>112,281</b>	9,436
<b>Cash flows from investing activities</b>		
Net proceeds from sale and maturities of securities	<b>35,848</b>	101,398
Interest on investments	<b>43,808</b>	23,880
Net cash provided by investing activities	<b>79,656</b>	125,278
Net increase in cash and cash equivalents	<b>148,136</b>	218,591
Cash and cash equivalents, beginning of year	<b>758,200</b>	539,609
Cash and cash equivalents, end of year	<b>\$ 906,336</b>	\$ 758,200

*See accompanying notes.*

New Jersey Health Care Facilities  
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Notes to Supplemental Financial Information

December 31, 2006

**1. Background**

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

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

**2. Summary of Significant Accounting Policies**

The accounts are maintained 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.

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

**2. 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.

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

**3. Mortgages and Loans Receivable**

Loans are granted by the Authority to borrowers for periods concurrent with those of the related bond issues. In some instances, mortgages, and in most instances, a pledge of gross receipts is granted to the Authority to support the respective loans. The organizations are required to make principal and interest payments to the Authority or trustee bank sufficient to 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, 2006 and 2005, mortgages and loans receivable were:

	2006	2005
	(\$000)	
<b>Mortgages</b>		
The Society of the Valley Hospital	\$ 14,965	\$ 17,245
Robert Wood Johnson University Hospital	140,900	143,375
Chilton Memorial Hospital	19,920	22,250
Burdette Tomlin Memorial Hospital	25,660	27,370
Holy Name Hospital	115,630	57,315
Columbus Hospital	26,500	27,450
Deborah Heart and Lung Center	25,115	25,810
Southern Ocean County Hospital	35,720	57,340
Somerset Medical Center	109,575	110,525
St. Ann's Home for the Aged	7,147	7,421
CentraState Assisted Living, Inc.	7,019	7,230
Total mortgages receivable	528,151	503,331

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

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

	<b>2006</b>	<b>2005</b>
	<i>(\$000)</i>	
<b>Loans</b>		
Secured by pledge of collateral with trustees:		
Spectrum for Living	\$ 2,070	\$ 2,165
Barnert Hospital	27,180	28,115
Kennedy Health Facilities, Inc.	—	3,665
Cathedral Health Services, Inc.	65,815	70,886
Care Institute, Inc. - Cherry Hill	14,690	14,965
Shoreline Behavioral Health Center (currently Saint Barnabas Behavioral Health Center, a part of Saint Barnabas Health Care System)	12,660	12,985
Christian Health Care Center	7,200	7,300
Holy Name Hospital	—	8,700
United Methodist Homes of New Jersey Foundation, Inc.	500	1,000
The Avalon at Bridgewater Assisted Living Project	6,795	6,910
Beth Israel Hospital Association of Passaic	—	12,175
Holland Christian Home Association	3,100	3,300
St. Mary's Hospital, Passaic, New Jersey	7,400	7,800
Bartley Assisted Living LLC	8,758	9,090
Muhlenberg Regional Medical Center	19,825	21,020
Jersey City Medical Center	203,275	208,635
Hartwyck West Nursing Home	452	679
JFK Assisted Living	12,575	12,903
Meridian Hospitals Corporation	27,610	24,225
Wiley Mission Project	13,070	13,425
Englewood Hospital and Medical Center	96,610	98,855
The Community Hospital Group	35,200	36,200
The Matheny School and Hospital	3,200	3,300
Robert Wood Johnson University Hospital	69,975	72,245
St. Francis Medical Center	2,500	2,700
St. Joseph's -Wayne Hospital	5,300	5,700
Virtua Health, Inc.	69,200	69,800
Rahway Hospital	11,000	11,000
Bayshore Community Hospital	6,580	7,300
South Jersey Hospital, Inc.	14,425	14,755

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

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

	<u>2006</u>	<u>2005</u>
	(\$000)	
<b>Loans (continued)</b>		
Secured by pledge of collateral with trustees (continued):		
Children's Specialized Hospital	\$ 56,895	\$ 56,895
AtlantiCare Regional Medical Center	50,000	25,000
Recovery Management, Inc.	13,860	13,860
The Avalon at Hillsborough	12,055	12,055
East Orange General Hospital	13,200	—
FitnessFirst Oradell Center, LLC	7,000	—
MHAC I, LLC	32,570	—
Southern Ocean County Hospital	18,390	—
Somerset Medical Center	15,000	—
Secured by pledge of gross receipts under Master Trust Indentures:		
Hackensack Medical Center (currently Hackensack University Medical Center)	372,345	378,325
Saint Peter's Medical Center (currently Saint Peter's University Hospital)	114,725	117,050
Hunterdon Medical Center	48,380	9,500
East Orange General Hospital	—	9,605
St. Elizabeth Hospital (currently Trinitas Hospital)	51,790	53,025
JFK Health Systems Obligated Group	34,755	35,860
Pascack Valley Hospital Association	82,675	84,050
Palisades Medical Center Obligated Group (currently a part of Palisades Medical Center of New York Presbyterian Health Care System)	41,705	42,420
Shore Memorial Health Care System	38,955	42,170
South Jersey Hospital System	163,670	165,480
Raritan Bay Medical Center	47,400	50,400
Jersey Shore Medical Center (currently a part of Meridian Health System, Inc.)	27,795	28,620
Bayonne Hospital Obligated Group	34,210	35,675
Warren Hospital Obligated Group	22,562	23,433
St. Joseph's Hospital and Medical Center Obligated Group	62,410	68,255

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

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

	<b>2006</b>	<b>2005</b>
	(\$000)	
<b>Loans (continued)</b>		
Secured by pledge of gross receipts under Master Trust		
Indentures (continued):		
AHS Hospital Corporation	\$ 332,525	\$ 190,775
Newton Memorial Hospital	28,045	29,285
Kennedy Health System Obligated Group	76,180	80,015
Capital Health System Obligated Group	166,695	171,125
Christian Health Care Center	22,775	23,780
Community Medical Center/Kimball Medical Center/ Kensington Manor Care Center Obligated Group (currently parts of Saint Barnabas Health Care System)	<b>39,855</b>	59,085
The Medical Center at Princeton, New Jersey Obligated Group	<b>56,485</b>	58,185
Rahway Hospital Obligated Group	<b>19,000</b>	20,890
JFK Medical Center/Hartwyck at Oak Tree Obligated Group	<b>44,390</b>	45,710
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group (currently parts of Saint Barnabas Health Care System)	<b>37,710</b>	53,750
CentraState Medical Center Obligated Group	<b>123,015</b>	52,965
Virtua Health, Inc.	<b>146,980</b>	119,165
Saint Barnabas Health Care System	<b>686,974</b>	576,863
Catholic Health East	<b>105,600</b>	107,395
Meridian Health System Obligated Group	<b>319,440</b>	324,975
RWJ Health Care Corp. at Hamilton, Obligated Group	<b>124,285</b>	125,635
Trinitas Hospital Obligated Group	<b>78,280</b>	79,280
The Society of the Valley Hospital Obligated Group	<b>35,710</b>	37,140
The House of the Good Shepherd	<b>18,685</b>	19,075
Bayshore Community Hospital	<b>45,555</b>	46,645
Beth Israel Hospital Association of Passaic	<b>10,492</b>	10,700
Atlantic City Medical Center	<b>104,595</b>	107,595
St. Clare's Hospital	<b>96,775</b>	100,210
Underwood Memorial Hospital	<b>62,875</b>	63,725
Total loans receivable	<b>4,892,233</b>	4,547,444
Total mortgages and loans receivable	<b>5,420,384</b>	5,050,775
Less cash and investments held by trustees	<b>953,570</b>	851,090
Net mortgages and loans receivable	<b>\$4,466,814</b>	\$4,199,685

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

**4. Capital Asset Program Notes Receivable**

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

As of December 31, 2006 and 2005 Capital Asset Program notes receivable were:

	<b>2006</b>	<b>2005</b>
	<i>(\$000)</i>	
Bayshore Community Hospital	\$ —	\$ 1,009
Matheny School	<b>611</b>	798
Community Medical Center (currently a part of Saint Barnabas Health Care System)	<b>697</b>	887
Jewish Federation of Southern New Jersey	—	103
Visiting Nurses Association of Central Jersey	<b>540</b>	637
Somerset Medical Center	<b>18,587</b>	20,874
Underwood Memorial Hospital	<b>1,029</b>	1,756
New Jersey Organ and Tissue Sharing Network	<b>1,248</b>	1,445
Atlantic City Medical Center	<b>4,283</b>	5,283
P.G. Chambers School (formerly Children’s Center for Therapy and Learning, Inc.)	<b>1,357</b>	1,411
Saint Barnabas Corporation-Mega Care, Inc.	<b>10,867</b>	12,349
Cerebral Palsey Center, Bergen County, NJ	<b>700</b>	1,434
AtlantiCare Regional Medical Center	<b>21,093</b>	23,437
Total Capital Asset Program notes receivable	<b>61,012</b>	71,423
Less cash and investments held by trustee	<b>42</b>	42
Net Capital Asset Program notes receivable	<b>\$60,970</b>	\$71,381

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

**5. Equipment Revenue Notes Receivable**

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

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

As of December 31, 2006, there was one equipment revenue note receivable for Barnert Hospital in the amount of \$2,458,429 less cash and investments held by the trustee of \$173,362 leaving a net equipment revenue note receivable of \$2,285,067. As of December 31, 2005, there was one equipment revenue note receivable for Barnert Hospital in the amount of \$3,554,624 less cash and investments held by the trustee of \$342,255 leaving a net equipment revenue note receivable of \$3,212,369.

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

The Authority entered into a 50-year lease on December 18, 2003 with the Department of Human Services of the State of New Jersey (DHS) whereby the Authority obtained a lease on the existing property and buildings of the Greystone Park Psychiatric Hospital. The Authority has agreed to make major improvements to the leased property and sublease the property back to DHS. The improvements are being financed by the issuance of Lease Revenue Bonds of the Authority payable solely from sublease rental payments received from DHS. On December 18, 2003 the Authority issued lease revenue bonds in the aggregate principal amount of \$19,125,000 to finance 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, 2006 and 2005, the lease receivable was in the amount of \$205,015,000 and \$205,690,000, respectively.

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Notes to Supplemental Financial Information (continued)

**7. Cash and Investments**

The components of cash and investments at December 31, 2006 and 2005 are:

	<b>2006</b>	<b>2005</b>
	<i>(\$000)</i>	
Cash and cash equivalents:		
Money Market Funds (which includes New Jersey Cash Management Fund)	<b>\$ 906,336</b>	\$758,200
Investments:		
Investment agreements:		
Collateralized	52,273	52,632
Uncollateralized	31,955	3,805
U.S. Treasury and Agency obligations	96,037	164,081
Total cash, cash equivalents and investments	<b>\$1,086,601</b>	\$978,718

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

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

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

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Notes to Supplemental Financial Information (continued)

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

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

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

**8. Revenue Bonds and Notes**

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

Revenue bonds and notes outstanding are comprised of the following:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
			(\$000)	
<b>Revenue bonds</b>				
Public issues:				
The Society of the Valley Hospital, Series C	2014	6.00-6.625	\$ 14,965	\$ 17,245
Hunterdon Medical Center, Series A	2020	7.00	8,795	9,500
East Orange General Hospital, Series B	2020	7.75	*	9,605
Burdette Tomlin Memorial Hospital, Series D	2021	6.25-6.50	1,475	3,185
Columbus Hospital, Series A	2021	7.50	26,500	27,450
Spectrum for Living, Series B	2022	6.50	2,070	2,165
JFK Health Systems Obligated Group, Series 1993	2023	5.20-5.50	12,825	13,360
Deborah Heart and Lung Center, Series 1993	2023	6.20-6.30	25,115	25,810
Southern Ocean County Hospital, Series A	2023	6.125-6.25	*	20,800
Saint Peter's Medical Center, Series F (currently Saint Peter's University Hospital)	2021	4.85-5.00	42,930	45,255

\*Defeased and/or retired

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
(\$000)				
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
Chilton Memorial Hospital, Series D Shore Memorial Health Care System, Series 1993	2013	5.00	\$ 19,920	\$ 22,250
Somerset Medical Center, Series A	2012	5.00	10,315	12,380
Raritan Bay Medical Center, Series 1994	2024	4.80-5.20	28,185	29,135
Jersey Shore Medical Center, Series 1994 (currently a part of Meridian Health System, Inc.)	2027	7.25	47,400	50,400
	2024	5.80-6.75	27,795	28,620
Bayonne Hospital Obligated Group, Series 1994	2012	6.25-6.40	11,485	12,950
JFK Health Systems Obligated Group, Series 1995	2025	5.25-5.70	21,930	22,500
Warren Hospital Obligated Group, Series 1995	2018	5.25-5.875	9,070	9,590
Kennedy Health Facilities, Inc., Series 1995	2025	5.80-5.90	*	3,665
Robert Wood Johnson University Hospital, Series C	2010	5.00-5.75	11,260	13,735
St. Joseph's Hospital and Medical Center Obligated Group, Series 1996A	2026	5.60-6.00	60,330	65,845
St. Joseph's Hospital and Medical Center Obligated Group, Series 1996B	2011	7.70	2,080	2,410
St. Elizabeth Hospital Obligated Group, Series 1997 (currently Trinitas Hospital)	2027	5.65-6.00	51,790	53,025
Care Institute, Inc. - Cherry Hill, Series 1996	2027	7.75-8.00	14,690	14,965
Holy Name Hospital, Series 1997	2025	5.10-6.00	55,630	57,315
Shoreline Behavioral Health Center, Series 1997 (currently Saint Barnabas Behavioral Health Center, a part of Saint Barnabas Health Care System)	2027	5.10-5.50	12,660	12,985
AHS Hospital Corporation, Series 1997 A	2027	5.00-6.00	93,950	97,600
Newton Memorial Hospital, Series 1997	2019	4.75-5.00	14,740	15,540
Kennedy Health System Obligated Group, Series 1997 A	2027	4.75-5.20	14,455	14,950
Southern Ocean County Hospital, Series 1997	2027	4.60-5.00	11,785	12,105

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
<b>Revenue bonds (continued)</b>			(\$000)	
Public issues (continued):				
Capital Health System Obligated Group, Series 1997	2027	5.00-5.25	\$ 40,885	\$ 42,860
Christian Health Care Center, Series 1997 A	2018	5.15-5.50	13,675	14,480
Christian Health Care Center, Series 1997 B	2028	Weekly Variable Rate	9,100	9,300
Bayonne Hospital Obligated Group, Series 1998	2027	4.75	22,725	22,725
Community Medical Center/Kimball Medical Center/Kensington Manor Care Center Obligated Group, Series 1998 (currently parts of Saint Barnabas Health Care System)	2019	4.30-5.50	39,855	59,085
Cathedral Health Services, Inc., Series 1998	2021	4.65-5.50	58,835	61,790
Kennedy Health System Obligated Group, Series 1997 B	2015	5.00-5.75	17,835	21,175
The Medical Center at Princeton, New Jersey Obligated Group, Series 1998	2028	4.50-5.125	56,485	58,185
Rahway Hospital Obligated Group, Series 1998	2014	5.00-5.125	19,000	20,890
Hackensack University Medical Center, Series 1998	2028	4.365-5.375	141,940	145,135
JFK Medical Center/Hartwyck at Oak Tree Obligated Group, Series 1998	2025	4.50-5.00	44,390	45,710
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group, Series 1998A (currently parts of Saint Barnabas Health Care System)	2028	4.50-5.25	37,710	53,750
Christian Health Care Center, Series 1998 A-3	2018	Weekly Variable Rate	600	700
Holy Name Hospital, Series 1998 A-4	2018	Weekly Variable Rate	*	6,400
United Methodist Homes of NJ Foundation, Inc., Series 1998 A-6	2007	Weekly Variable Rate	500	1,000

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
<b>Revenue bonds (continued)</b>			(\$000)	
Public issues (continued):				
CentraState Medical Center Obligated Group, Series 1998	2028	4.10-4.65	\$ 51,590	\$ 52,965
Pascack Valley Hospital Association, Series 1998	2028	4.60-5.125	32,565	33,375
Virtua Health Inc., Series 1998	2028	4.25-5.25	111,980	119,165
Saint Barnabas Health Care System, Series 1998B	2028	0.00-5.25	371,985	456,763
Catholic Health East, Series 1998E	2029	4.10-5.25	59,400	60,690
Barnert Hospital, Series 1999	2025	4.10-5.00	27,180	28,115
Palisades Medical Center of New York Presbyterian Health Care System Obligated Group, Series 1999	2028	4.65-5.25	28,630	28,630
The Avalon at Bridgewater Assisted Living Project, Series 1999A	2029	6.625-6.75	6,630	6,630
The Avalon at Bridgewater Assisted Living Project, Series 1999B	2008	9.75	165	280
Burdette Tomlin Memorial Hospital, Series 1999	2029	4.95-5.60	24,185	24,185
Meridian Health System Obligated Group, Series 1999	2029	4.75-5.625	219,440	224,975
Holland Christian Home Association, Series 1999A-2	2019	Weekly Variable Rate	3,100	3,300
St. Mary's Hospital, Passaic, New Jersey, Series 1999A-4	2019	Weekly Variable Rate	7,400	7,800
Trinitas Hospital Obligated Group, Series 2000	2030	6.625-7.50	78,280	79,280
Hackensack University Medical Center, Series 2000	2034	5.45-6.125	82,030	83,190
Saint Barnabas Health Care System, Series 1998C	2018	5.00-5.25	11,495	12,075
Robert Wood Johnson University Hospital, Series 2000	2031	5.20-5.75	129,640	129,640
Muhlenberg Regional Medical Center, Series 2000	2018	4.75-5.50	19,825	21,020
The Society of the Valley Hospital Obligated Group, Series 2000	2031	4.625-5.75	35,710	37,140
Saint Peter's University Hospital Obligated Group, Series 2000A	2030	6.875	36,795	36,795

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
(\$000)				
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
Saint Peter's University Hospital Obligated Group, Series 2000B	2030	Weekly Variable Rate	\$ 29,280	\$ 29,280
Saint Peter's University Hospital Obligated Group, Series 2000C	2030	Weekly Variable Rate	5,720	5,720
Southern Ocean County Hospital, Series 2001	2031	4.00-5.125	23,935	24,435
The House Of The Good Shepherd Obl. Grp., Series 2001	2031	4.00-5.20	18,685	19,075
Jersey City Medical Center, Series 2001	2041	3.55-5.00	187,570	192,490
Kennedy Health System Obl. Grp., Series 2001	2031	5.50-5.625	43,890	43,890
St. Barnabas Health Care System, Series 2001A	2031	Weekly Variable Rate	34,400	34,400
St. Barnabas Health Care System, Series 2001B	2031	Auction Rate	71,975	73,625
Newton Memorial Hospital, Series 2001	2026	3.35-5.25	13,305	13,745
Meridian Hospital Corp., Series 2001 A-1	2006	Weekly Variable Rate	8,100	9,500
Holy Name Hospital, Series 2001 A-2	2006	Weekly Variable Rate	*	2,300
Bayshore Community Hospital, Series 2002	2032	3.625-5.125	45,555	46,645
Atlantic City Medical Center, Series 2002	2025	4.40-6.25	104,595	107,595
Palisades Medical Center of NY Presbyterian Health Care System Obl. Grp., Series 2002	2031	5.20-6.625	13,075	13,790
South Jersey Hospital, Series 2002	2032	4.375-6.00	19,385	165,480
RWJ Health Corp. at Hamilton, Series 2002	2032	Weekly Variable Rate	29,510	29,960
Wiley Mission Project, Series 2002	2029	Weekly Variable Rate	13,070	13,425
Englewood Hospital and Medical Center, Series 2002	2031	2.80-5.25	96,610	98,855
Catholic Health East, Series 2003A	2033	2.80-5.375	46,200	46,705
Meridian Health System Obligated Group, Series 2003A	2033	Weekly Variable Rate	60,000	60,000

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
(\$000)				
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
Meridian Health System Obligated Group, Series 2003B	2033	Weekly Variable Rate	\$ 40,000	\$ 40,000
Pascack Valley Hospital Association, Series 2003	2036	6.00-6.625	50,110	50,675
Somerset Medical Center, Series 2003	2033	5.50-5.75	81,390	81,390
The Community Hospital Group, Inc., Series 2003A-1	2020	Weekly Variable Rate	17,200	18,200
The Matheny School and Hospital Inc., Series 2003 A-2	2023	Weekly Variable Rate	3,200	3,300
Robert Wood Johnson University Hospital, Inc., Series 2003 A-3	2023	Weekly Variable Rate	22,200	23,200
St. Francis Medical Center, Series 2003 A-5	2018	Weekly Variable Rate	2,500	2,700
St. Joseph's Wayne Hospital, Inc., Series 2003 A-6	2018	Weekly Variable Rate	5,300	5,700
Virtua Health Inc., Series 2003 A-7	2018	Weekly Variable Rate	9,200	9,800
Shore Memorial Health Care System, Obligated Group, Series 2003	2023	3.00-5.00	28,640	29,790
Rahway Hospital, Series 2003 A-8	2023	Weekly Variable Rate	11,000	11,000
AHS Hospital Corporation, Series 2003	2025	Auction Rate	65,075	68,200
Capital Health System Obligated Group, Series 2003 A	2033	4.00-5.75	96,110	98,465
Capital Health System Obligated Group, Series 2003 B	2033	Weekly Variable Rate	29,700	29,800
Jersey City Medical Center, Series 2003	2030	2.00-4.80	15,705	16,145
Greystone Park Psychiatric Hospital Project, Series 2003	2025	2.20-5.00	18,450	19,125
Underwood Memorial Hospital, Series 2004	2033	Auction Rate	62,875	63,725
Hackensack University Medical Center, Series 2004	2036	Auction Rate	148,375	150,000
AHS Hospital Corp, Series 2004	2016	Auction Rate	23,500	24,975
Bayshore Community Hospital, Series 2004 A-1	2014	Weekly Variable Rate	6,580	7,300
Beth Israel Hospital Association of Passaic, Series 2004 A-2	2014	Weekly Variable Rate	*	12,175

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
<i>(\$000)</i>				
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
Meridian Nursing and Rehab, Series 2004 A-3	2035	Weekly Variable Rate	\$ 14,410	\$ 14,725
South Jersey Hospital, Inc., Series 2004 A-4	2034	Weekly Variable Rate	14,425	14,755
Robert Wood Johnson Univ. Hospital, Series 2004	2029	Weekly Variable Rate	47,775	49,045
St. Clare's Hospital, Series 2004A	2025	4.25-5.25	59,000	59,000
St. Clare's Hospital, Series 2004B	2015	2.5-5.25	37,775	41,210
Virtua Health, Series 2004	2033	Weekly Variable Rate	60,000	60,000
Recovery Management Sys, Inc. Series 2005	2030	Weekly Variable Rate	13,860	13,860
The Avalon at Hillsborough, Series 2005A	2035	6.15-6.625	10,880	10,880
RWJ Health Care Corp. @ Hamilton, Series 2005A	2024	Auction Rate	29,400	30,300
RWJ Health Care Corp. @ Hamilton, Series 2005 B	2035	3.00-5.00	65,375	65,375
Greystone Park Psychiatric Hospital Project, Series 2005	2028	3.5-5.0	186,565	186,565
Children's Specialized Hospital, Proj., Series 2005 A	2036	4.00-5.50	32,895	32,895
Children's Specialized Hospital, Proj., Series 2005 B	2036	Weekly Variable Rate	24,000	24,000
AtlantiCare Regional Med. Ctr., Series 2005 A-1	2030	Weekly Variable Rate	25,000	25,000
Christian Health Care Center, Series 2005 A-2	2035	Weekly Variable Rate	6,600	6,600
The Community Hospital Group, (t/a JFK), Series A-3	2030	Weekly Variable Rate	18,000	18,000

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
			(\$000)	
<b>Revenue bonds (continued)</b>				
Public issues (continued):				
Hunterdon Medical Center, Series 2006A	2035	4.50-5.25	\$ 22,500	\$ —
AHS Hospital Corp., Series 2006	2036	Auction Rate	150,000	—
Southern Ocean County Hospital, Series 2006	2036	Weekly Variable Rate	18,390	—
Holy Name Hospital, Series 2006	2036	5.00-5.25	60,000	—
South Jersey Hospital, Series 2006	2046	5.00	144,285	—
AtlantiCare Regional Medical Center, Series 2006 A-1	2031	Weekly Variable Rate	25,000	—
East Orange General Hospital, Series 2006 A-2	2021	Weekly Variable Rate	13,200	—
Meridian Nursing and Rehabilitation, Series 2006 A-3	2031	Weekly Variable Rate	5,100	—
MHAC I, LLC, Series 2006 A-4	2027	Weekly Variable Rate	21,655	—
MHAC I, LLC, Series 2006 A-5	2036	Weekly Variable Rate	10,915	—
FitnessFirst Oradell Center, LLC, Series 2006 A-6	2031	Weekly Variable Rate	7,000	—
CentraState Medical Center, Series 2006 A	2021	3.50-5.00	41,575	—
CentraState Medical Center, Series 2006 B	2037	Auction Rate	29,850	—
Saint Barnabas Health Care System, Series 2006 A	2029	5.00	72,120	—
Saint Barnabas Health Care System, Series 2006 B	2038	0.00	125,000	—
Hunterdon Medical Center, Series 2006B	2036	4.00-5.00	17,085	—
Total public issues			5,507,310	5,184,328

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
<i>(\$000)</i>				
Private placements:				
St. Ann's Home for the Aged, Series 1996	2011	3.40%	\$ 7,147	\$ 7,421
CentraState Assisted Living, Inc., Series 1998	2018	4.57% thru 2008-then 10 year		
Bartley Assisted Living LLC, Series 2000	2025	Treasury index 6.28% for a 5 year period-then adjusted every 5 years; at a fixed rate based on weekly average U.S. Treasury Securities yield	7,019	7,230
JFK Assisted Living Series 2001	2026	5.65% for a 10 year period; then adjusted for 10 years then another 5 years at a fixed rate per annum equal to the then-in-effect weekly average U.S. Treasury Securities yield	8,758	9,090
Hartwyck West Nursing Home Series 2001	2008	5.65	12,575 452	12,903 679

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Notes to Supplemental Financial Information (continued)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
			(\$000)	
<b>Revenue bonds (continued)</b>				
Private placements (continued):				
Warren Hospital Obligated Group, Series 2002	2027	5.55% until 2009; then a fixed rate based on the 7 year treasury index plus 150 basis points until maturity	\$ 13,491	\$ 13,843
Cathedral Health Services, Inc. Series 2002A	2008	4.69	920	1,438
Cathedral Health Services, Inc. Series 2002B	2008	4.69	2,408	3,766
Cathedral Health Services, Inc. Series 2002C	2017	5.85	3,652	3,892
Beth Israel Hospital Association, Series 2003	2010	5.00% thru December 31, 2006; then greater of 5.00% or the rate equal to the 3-year T-Note plus 250 basis points	10,492	10,700
The Avalon at Hillsborough, Series 2005 B	2014	9.00%	1,175	1,175
Virtua Health, Inc., Series 2006	2013	Weekly BMA plus 50 bp	35,000	-
Somerset Medical Center, Series 2006	2032	4.42% for a 10 year period-then a fixed rate 220 bp over the monthly avg. yld. on U.S. Treasury Securities adjusted to a constant maturity of 5 years, reset every 5 years	15,000	-
Total private placements			<u>118,089</u>	<u>72,137</u>
Capital Asset Program:				
Capital Asset Program, Series A, B, C, D	2035	Variable rate	100,000	100,000
Total Capital Asset Program			<u>100,000</u>	<u>100,000</u>
Equipment revenue notes:				
Barnert Hospital, Series 2003	2009	4.77	2,458	3,555
Total revenue bonds			<u>\$5,727,857</u>	<u>\$5,360,020</u>

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Notes to Supplemental Financial Information (continued)

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

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<i>(\$000)</i>		
2007	\$ 149,102	\$ 213,567	\$ 362,669
2008	161,860	211,551	373,411
2009	166,032	203,775	369,807
2010	172,282	198,572	370,854
2011	187,701	191,995	379,696
Thereafter	4,890,880	2,104,598	6,995,478
	<b>\$5,727,857</b>	<b>\$3,124,058</b>	<b>\$8,851,915</b>

**9. Compliance with Bond Provisions**

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

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

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

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**9. Compliance with Bond Provisions (continued)**

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, 2006, there were no Events of Default for any of the Authority's bond issues except as noted below:

On July 10, 2006, Passaic Beth Israel Hospital Association ("PBI") filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The bankruptcy court conducted an auction for the sale of PBI and on December 11, 2006, St. Mary's Hospital of Passaic ("St. Mary's") was declared the winner of the auction with a bid of \$36,700,000. St. Mary's agreed that it would close its facility and move the operations to PBI. This qualified it for financing through the Hospital Asset Transformation Act, which allows the State of New Jersey to support a portion of the debt issued for the transaction.

Further, on November 13, 2006, the Bankruptcy Court entered an order authorizing a debtor in possession financing from Commerce Bank, N.A. to PBI in the amount of \$5,000,000. The order also stated that the loan would be a senior lien to all other liens in the bankruptcy.

The Authority is in the process of putting together a bond issue for St. Mary's to allow them to purchase PBI and provide working capital as well as funds for the transition from St. Mary's to PBI. The bond issue will have several different series of bonds. All of the series will be issued under the Hospital Asset Transformation Act and as such will be secured through appropriations by the State of New Jersey. It is anticipated that the bond issue will close before February 28, 2007.

**10. Defeased Issues**

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

The proceeds received from the sales of these bond issues are used to refund the outstanding bond issues or to deposit in an irrevocable escrow account held by an escrow agent, an amount which, when combined with interest earnings thereon, is sufficient to pay the principal and interest on the defeased bonds when due. The escrow accounts

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**10. Defeased Issues (continued)**

meet the criteria under generally accepted accounting principles for a refunding and, accordingly, the escrow account assets and the liability for refunded bonds are not included in the Authority's financial statements.

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

A summary of outstanding balances as of December 31, 2006 and 2005, by issue, is as follows:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
			(\$000)	
Defeased public issues:				
Shore Memorial Hospital, Series A	2006	8.90	–	\$ 575
Community Memorial Hospital Association (Toms River), Series A (currently Community Medical Center, a part of Saint Barnabas Health Care System)	2009	6.75	\$ 2,710	3,500
The Overlook Hospital Association, Series C (currently a part of AHS Hospital Corporation)	2011	6.90	6,180	7,190
Hackensack Hospital, Series A (currently Hackensack University Medical Center)	2009	8.75	4,865	6,490
Mercer Medical Center, Series B (currently a part of Capital Health System)	2008	7.00	2,170	3,195
Monmouth Medical Center, Series A (currently a part of Saint Barnabas Health Care System)	2009	6.70	2,215	2,950
Our Lady of Lourdes, Series A (currently a part of Catholic Health East)	2006	8.625	–	410
St. Francis Hospital, Series A (currently a part of Bon Secours New Jersey Health System, Inc.)	2012	8.00	8,570	9,665
Bridgeton Hospital Association, Series B (currently a part of South Jersey Hospital System)	2013	6.00	4,370	4,370
Saint Barnabas Medical Center, Series A (currently a part of Saint Barnabas Health Care System)	2011	7.00	3,855	4,630

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Notes to Supplemental Financial Information (continued)

**10. Defeased Issues (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
(\$000)				
Defeased public issues (continued):				
Burlington County Memorial Hospital, Series C (currently a part of Virtua Health, Inc.)	2012	6.00	\$ 10,500	\$ 10,500
East Orange General Hospital, Series A	2007	6.70	450	870
Point Pleasant Hospital, Series A (currently a part of Meridian Health System, Inc.)	2010	7.30	3,260	3,950
The General Hospital Center at Passaic, Series 1994 (currently a part of Beth Israel Hospital Association of Passaic)	2019	6.00-6.75	52,250	54,795
Allegany Health-Our Lady of Lourdes, Series 1993 (currently a part of Catholic Health East)	2018	4.70-5.20	32,170	34,060
Christ Hospital Obligated Group, Series 1994	2006	7.00	–	3,350
Riverview Medical Center, Series 1994 (currently a part of Meridian Health System, Inc.)	2011	5.50-6.25	13,980	16,350
St. Mary Hospital, Series 1993 (currently a part of Bon Secours and Canterbury Partnership for Care)	2012	5.875	12,735	14,470
Bayshore Community Hospital, Series 1989 A&B	2009	0.00	902	1,245
New Seasons of Mt. Arlington Assisted Living Project, Series 2000B	2010	10.75	615	735
Lutheran Home, Series A	2006	8.20-8.40	–	3,200
East Orange General Hospital	2020	7.75	8,655	–
Total defeased public issues			<u>170,452</u>	<u>186,500</u>
Defeased private placements:				
Saint Peter's Medical Center, Series A (currently Saint Peter's University Hospital)	2009	7.125	453	599
St. Elizabeth Hospital, Series A (currently Trinitas Hospital)	2009	6.00	6,000	6,000
Christian Health Care Center, Series C	2006	8.75	–	12,745
Total defeased private placements			<u>6,453</u>	<u>19,344</u>

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Notes to Supplemental Financial Information (continued)

**10. Defeased Issues (continued)**

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31	
			2006	2005
			(\$000)	
Partially defeased public issues				
Community Medical Center/Kimball Medical Center/Kensington Manor Care Center Obligated Group, Series 1998 (currently a part of Saint Barnabas Health Care System)	2008	4.30-5.50	\$ 13,925	\$ —
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group, Series 1998A (currently a part of Saint Barnabas Health Care System)	2008	4.50-5.25	12,945	—
Saint Barnabas Health Care System, Series 1998B	2009	0.00-5.25	82,963	—
Saint Barnabas Health Care System, Series 1998C	2009	5.00-5.25	580	—
South Jersey Hospital, Series 2002	2012	4.375-6.00	143,415	—
Total partially defeased public issues			<u>253,828</u>	—
Total defeased issues			<u>\$430,733</u>	<u>\$205,844</u>