

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

ANNUAL FINANCIAL REPORT

December 31, 2015

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey Health Care Facilities Financing Authority (the "Authority"), as of and for the years ended December 31, 2015 and 2014, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2015 and 2014, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note A to the financial statements, in 2015, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the retiree healthcare plan, schedule of proportionate share of net pension liability, and the schedule of contributions on pages four through eleven and pages twenty-eight through thirty respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information - Trustee Held Funds

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters (Continued)

Other Supplementary Information - Trustee Held Funds (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 26, 2016 and March 26, 2015, for the years ended December 31, 2015 and 2014, respectively, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.

Certified Public Accountants

**MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

Hamilton, New Jersey

May 26, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the New Jersey Health Care Facilities Financing Authority's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended December 31, 2015 and 2014. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

The Authority's total net position increased \$322,000 or 4.3%
 Cash and cash equivalents decreased \$227,000 or 2.9%
 Operating revenue increased \$144,000 or 3.6%
 Operating expenses decreased \$390,000 or 9.1%
 Operating income increased \$534,000 or 236.3%

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 other supplementary information - trustee held funds. The Authority is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the accrual basis of accounting.

Financial Analysis of the Authority

Net Position – The following table presents the changes in net position between December 31, 2015, 2014 and 2013:

	2015	2014	2013	Change	% Change
	(\$000)	(\$000)	(\$000)	2015-2014	(%)
Current assets	\$ 13,053	\$ 13,653	\$ 13,364	\$ (600)	-4.4%
Noncurrent assets	1,484	361	644	1,123	311.1%
Total assets	14,537	14,014	14,008	523	3.7%
Deferred outflows of resources	1,220	600	-	620	103.3%
Current liabilities	2,191	2,251	2,143	(60)	-2.7%
Long-term liabilities	5,679	4,614	-	1,065	23.1%
Total liabilities	7,870	6,865	2,143	1,005	14.6%
Deferred inflows of resources	91	275	-	(184)	-66.9%
Total net position	\$ 7,796	\$ 7,474	\$ 11,865	\$ 322	4.3%

Current assets are comprised of cash and cash equivalents (operating account and Federally Qualified Health Centers ("FQHC") loan program), administrative fees and other receivables, note receivables, note interest receivables and prepaid expenses. Current assets decreased 4.4% from December 31, 2014 to December 31, 2015. As of December 31, 2015, the majority of the cash and cash equivalents were held in the New Jersey Cash Management Fund ("NJCMF"), a liquid short-term investment vehicle. The yield on the NJCMF at December 31, 2015 and 2014 was 0.27% and 0.07%, respectively. Overall, the operating account cash and cash equivalents increased \$966,000 while the FQHC loan program cash and cash equivalents decreased \$1,193,000. The operating account cash

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis of the Authority (Continued)

and cash equivalents increased due to the collection of semi-annual fees and no payment for consulting services as had occurred in 2014. The decrease in the FQHC loan program cash and cash equivalents was due to the issuance of a 2nd loan in the amount of \$1.5 million to Lakewood Resource and Referral Center, Inc. on July 27, 2015. The FQHC loan program is further described in Note D to the financial statements. Administrative fees and other receivables decreased overall by \$167,000. The majority of the receivables consist of the Authority's semi-annual fee billings which had an overall decrease of \$120,034. The semi-annual fee billings invoiced on December 31, 2015 and 2014, totaled \$1,826,877 and \$1,958,161, respectively, or a decrease of \$131,284. There was also an annual fee billing on December 1, 2015 in the amount of \$11,250 for the FQHC loan mentioned above. Prior to 2015, the FQHC loan program did not charge an annual fee. Regarding the decrease in the semi-annual fee billings, even though several new financings were added to the Authority's portfolio, the decrease is due in part to an institution refinancing their outstanding bond issues through another entity. Also decreasing was other receivables for trustee fees and reimbursement due from the New Jersey Department of Health ("DOH") for services that the Authority provides to the DOH. Those receivables decreased \$3,658 and \$37,567, respectively. The trustee fees receivable fluctuates from year to year depending on the timing of the invoices received from the trustees and the timing of the payments received from the health care institutions with which the Authority has outstanding debt. The decrease in the receivable from the DOH is due in part to the contract ending on December 31, 2014 that the Authority had with the DOH for providing financial advisory services. Finally, the note receivables-designated FQHC loan program and the note interest receivables-designated FQHC loan program both increased due to the issuance of the 2nd loan.

Prepaid expenses from December 31, 2014 to December 31, 2015, decreased in part due to the recording of the expense for the Authority's Annual Required Contribution ("ARC") for its post-retirement health benefits. Those amounts were \$307,000 and \$294,000 as of December 31, 2015 and 2014, respectively. The post-retirement health benefits prepaid balance as of December 31, 2015 and 2014 was \$2,906,215 and \$3,213,724, respectively. For more information on the Authority's post-retirement health benefits refer to Note F to the financial statements. Also, decreasing slightly was prepaid equipment/software maintenance and prepaid computer services/software.

When comparing current assets as of December 31, 2013 to December 31, 2014, current assets increased 2.2%. Overall, the operating account cash and cash equivalents increased \$331,000 while the FQHC loan program cash and cash equivalents increased \$303,000. The operating account cash and cash equivalents only increased slightly due to the \$845,556 payment made to the consultant hired in 2014 to conduct a study of the health care services in the Newark area. The increase in the FQHC loan program cash and cash equivalents was due to the principal and interest received on the 1st loan the Authority provided to Lakewood Resource and Referral Center, Inc. on January 29, 2010. Administrative fees and other receivables decreased overall by \$54,000. The Authority's semi-annual fee billings had an overall decrease of \$12,136. The semi-annual fee billings invoiced on December 31, 2014 and 2013, totaled \$1,958,161 and \$1,930,401, respectively, or an increase of \$27,760. However, at December 31, 2013, there was also a receivable outstanding from the June 30, 2013 and December 31, 2012 semi-annual fee billings in the amounts of \$19,518 and \$20,378, respectively,

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis of the Authority (Continued)

which were both finally collected in 2014. In comparing the December 31, 2014 billing to the December 31, 2013 billing, even though there were seven financings completed in 2014, there was only a slight increase in the December 31, 2014 semi-annual fee billing due to fees being based on a declining balance calculation, bond issues being partially and/or completely paid off ahead of schedule and three of the new issues refinancing prior issues which does not add any additional fees because it is a refinancing. Also decreasing was other receivables for trustee fees and reimbursement due from the New Jersey Department of Health ("DOH") for services that the Authority provides to the DOH. Those receivables decreased \$1,918 and \$39,811, respectively. As mentioned previously, the trustee fees receivable fluctuates from year to year depending on the timing of the invoices received from the trustees and the timing of the payments received from the health care institutions with which the Authority has outstanding debt. The decrease in the receivable from the DOH is due in part to the ending on March 14, 2014 of the Health Information Exchange ("HIE") Grant received through the American Recovery and Reinvestment Act of 2009 ("ARRA 2009"). During the duration of the Grant, the DOH reimbursed the Authority for the HIT Project Managers salary and benefits and when the Grant ended the position was eliminated.

Prepaid expenses from December 31, 2013 to December 31, 2014, decreased in part due to the recording of the expense for the Authority's Annual Required Contribution ("ARC") for its post-retirement health benefits. Those amounts were \$294,000 and \$280,000 as of December 31, 2014 and 2013, respectively. The post-retirement health benefits prepaid balance as of December 31, 2014 and 2013 was \$3,213,724 and \$3,507,255, respectively. Offsetting the decrease slightly, was an increase in prepaid insurance due to an increase in the premium for the Authority's directors and officers liability policy.

Noncurrent assets represent the Authority's capital assets which include furniture, leasehold improvements, equipment and automobiles whose costs are in excess of \$1,000, net of accumulated depreciation, and the portion of the two note receivables dated January 29, 2010 and July 27, 2015 outstanding from Lakewood Resource and Referral Center, Inc. that exceeds one year as further described in Note D to the financial statements. Noncurrent assets at December 31, 2015, increased \$1,123,000 when compared to December 31, 2014. The majority of the increase is due in part to the issuance of the 2nd FQHC loan to Lakewood Resource and Referral Center, Inc. In addition, in 2015 only one item was purchased that was classified as a capital asset which was somewhat offset by the disposal of some obsolete computer equipment. It should be noted that a majority of the Authority's capital assets have been fully depreciated.

Noncurrent assets at December 31, 2014, decreased \$283,000 when compared to December 31, 2013. The decrease was due in part to the repayments on the Lakewood Resource and Referral Center, Inc. note receivable dated January 29, 2010. In addition, in 2014 only four items were purchased that were classified as capital assets.

Deferred outflows of resources is a result of the implementation of the Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis of the Authority (Continued)

Deferred outflows of resources at December 31, 2015 and 2014 totaled \$1,220,534 and \$600,284, respectively, which is an increase of \$620,250 or 103.3%

Current liabilities in 2015 are comprised of accounts payable, accrued expenses and unearned revenue-annual fees and section 142(d) fees. When compared to December 31, 2014, current liabilities decreased \$60,000 or 2.7%. Concerning accounts payable and accrued expenses there was an increase of \$55,000 or 15.1%. The employer pension expense accrual increased; there was the addition of accruals for the bond counsel hired to work on the county Agreements for Greystone Park Psychiatric Hospital and Marlboro Psychiatric Hospital resulting from the 2013 bond financings and for the bond counsel hired to assist the Authority with matters relating to the St. Michael's Medical Center Bankruptcy. These were offset somewhat by a decrease in accrued vacation and accrued wages due in part to a change in the composition of staff resulting from retirements. As part of the change, a position was not back filled and staff size went from twenty-five to twenty-four. In addition, accrued wages also decreased due to only four days accrued at December 31, 2015 compared to thirteen days accrued at December 31, 2014. Regarding, unearned revenue-annual fees there was a decrease of \$109,000 or 5.9% compared to December 31, 2014. It represents the FQHC annual fee billed on December 1, 2015 covering the period January 1, 2016 to December 31, 2016 and semi-annual fees billed on December 31, 2015 and 2014, which cover the periods January 1, 2016 to June 30, 2016, and January 1, 2015 to June 30, 2015, respectively. Financings completed since January 1, 2003, are billed in advance, excluding the master leasing program which is billed in arrears. The unearned revenue-annual fees decrease is due in part to an institution refinancing their outstanding bond issues through another entity at the end of 2015, as mentioned previously. Finally, unearned revenue-section 142(d) fees decreased \$6,000 or 13.0%. Those fees represent the prepayment from a client institution to the Authority in order to compensate the Authority for monitoring the financing completed under section 142(d) of the internal revenue code. An amount will be amortized each year from unearned revenue-section 142(d) fees to the section 142(d) fees income account, up to and including year 2022 when monitoring will cease on this particular client institution.

Current liabilities in 2014 increased \$108,000 or 5.0% when compared to December 31, 2013. Regarding accounts payable and accrued expenses they had increased \$43,000 or 13.4%. The employer pension expense accrual increased; there was the addition of an accrual for the December 2014 expenses of the consultant mentioned previously and the addition of accruals for work done by bond counsel on post issuance tax compliance procedures and on document preparation for the sale of a hospital to a for-profit entity. In addition, there was an increase in accrued wages due to thirteen days accrued at December 31, 2014 compared to twelve days accrued at December 31, 2013 and for the accrual of the retiree sick payment due to an employee who retired effective December 31, 2014. It should be noted, that a retiree is entitled to up to one-half of their accrued sick time; but the amount of the payment cannot exceed \$15,000. Regarding, unearned revenue-annual fees there was an increase of \$71,000 or 4.0% compared to December 31, 2013. It represents the semi-annual fees billed on December 31, 2014 and 2013, which cover the periods January 1, 2015 to June 30, 2015, and January 1, 2014 to June 30, 2014, respectively. The unearned revenue-annual fees increase is due to financings completed since December 31, 2013. Finally, unearned revenue-section 142(d) fees decreased \$6,000 or 11.5%. See the above paragraph regarding the description of unearned revenue-section 142(d) fees.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis of the Authority (Continued)

Deferred inflows of resources is also a result of GASB Statement 68 and at December 31, 2015 and 2014 totaled \$91,304 and \$274,979, respectively, which is a decrease of \$183,675 or 66.9%.

Long-term liabilities represents the Authority's actuarial calculated net pension liability in accordance with the requirements of GASB Statement 68. The liability as of December 31, 2015 and 2014 is \$5,678,765 and \$4,614,154, respectively which is an increase of \$1,064,611 or 23.1%.

Changes in Net Position – The following table presents the changes in net position for the years ended 2015, 2014 and 2013:

	2015	2014	2013	Change	% Change
	(\$000)	(\$000)	(\$000)	2015-2014	(%)
Operating revenues					
Administrative fees					
Annual fees	\$ 3,919	\$ 3,804	\$ 3,764	\$ 115	3.0%
Initial fees	169	108	172	61	56.5%
Per series/per master lease fees	61	100	148	(39)	-39.0%
Mortgage servicing and					
Section 142 (d) fees	24	24	24	-	0.0%
Note Interest Income Designated					
FQHC loan program	23	16	21	7	43.8%
Total operating revenues	<u>4,196</u>	<u>4,052</u>	<u>4,129</u>	<u>144</u>	<u>3.6%</u>
Operating expenses					
Salaries and related expenses	2,610	2,420	2,258	190	7.9%
General and administrative	571	576	564	(5)	-0.9%
Provision for postemployment benefits	307	294	280	13	4.4%
Professional fees and other	358	988	137	(630)	-63.8%
Bad debt expenses	42	-	-	42	100.0%
Total operating expenses	<u>3,888</u>	<u>4,278</u>	<u>3,239</u>	<u>(390)</u>	<u>-9.1%</u>
Operating income (loss)	308	(226)	890	534	236.3%
Nonoperating revenues/(expenses)					
Interest income from investments	8	4	4	4	100.0%
Other income	-	2	-	(2)	-100.0%
Gain on disposal of asset	6	-	-	6	100.0%
HIE grant income	-	1,837	4,050	(1,837)	-100.0%
HIE grant expense	-	(1,837)	(4,050)	1,837	-100.0%
Total nonoperating revenues	<u>14</u>	<u>6</u>	<u>4</u>	<u>8</u>	<u>133.3%</u>
Change in net position	322	(220)	894	542	246.4%
Net position, beginning of year	7,474	11,865	10,971	(4,391)	-37.0%
Cumulative change in accounting principle	-	(4,171)	-	4,171	-100.0%
Net position, beginning of year, restated	<u>7,474</u>	<u>7,694</u>	<u>10,971</u>	<u>(220)</u>	<u>-2.9%</u>
Net position, end of year	<u>\$ 7,796</u>	<u>\$ 7,474</u>	<u>\$ 11,865</u>	<u>\$ 322</u>	<u>4.3%</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis of the Authority (Continued)

The Authority's net position increased \$322,000 or 4.3% from December 31, 2014 to December 31, 2015. In addition, when comparing the change in net position amount to the prior year, there was an increase of \$542,000 or 246.4% from 2014 to 2015. The \$390,000 decrease in operating expenses is the main reason for the increase in the Authority's change in net position. As stated previously, in 2014 the Authority hired a consultant to conduct a study of the health care services in the Newark area and as of December 31, 2014, the Authority had incurred and/or accrued expenses relating to the consultant in the amount of \$848,769. Expenditures of this nature did not occur in 2015.

By contrast, the Authority's net position decreased \$4,391 or 37.0% from December 31, 2013 to December 31, 2014 due to the implementation of GASB Statement 68. In addition, when comparing the change in net position amount to the prior year, there was a decrease of \$1,114,000 or 124.6% from 2013 to 2014. The \$1,039,000 increase in operating expenses is the main reason for the decrease in the Authority's change in net position. The increase in expenses was due to the Newark area study mentioned above and the recording of a net pension expense resulting from GASB Statement 68.

Operating revenues - During 2015, total operating revenues increased \$144,000 or 3.6%. Annual fees and initial fees, increased \$115,000 and \$61,000 respectively, while per series/per master lease fees, decreased \$39,000 when compared to 2014. Annual Fees increased due to the recognition of unearned revenue from the December 31, 2014 and June 30, 2015 semi-annual fee billings. Regarding the increase in initial fees and the decrease in per series/per master lease fees, the collection of those fees can fluctuate from year to year depending on Authority financing activity, the financing needs of the health care institutions, the actual/estimated bond size and the current economic climate. In 2015, eight (8) initial fees were received based on a total actual/estimated bond size of \$1,155,839,000, eight (8) per series fees were received, two (2) per master lease fees were received and one (1) FQHC loan initial fee and one (1) FQHC loan closing fee were received. By comparison in 2014, ten (10) initial fees were received based on a total actual/estimated bond size of \$477,793,000, fourteen (14) per series fees were received and no per master lease fees were received. Finally, the note interest income-designated FQHC loan program amount is the interest earned on the Lakewood Resource and Referral Center, Inc. loans issued on January 29, 2010 and July 27, 2015, as further described in Note D to the financial statements. For 2015, the interest earned totaled \$23,000 compared to \$16,000 for 2014 or an increase of \$7,000.

When comparing operating revenues during 2014 to 2013, there was a decrease of \$77,000 or 1.9%. Annual fees increased \$40,000 while initial fees and per series/per master lease fees, decreased \$64,000 and \$48,000, respectively when compared to 2013. Annual Fees increased due to the recognition of unearned revenue from the December 31, 2013 and June 30, 2014 semi-annual fee billings. Regarding initial fees and per series/per master lease fees, as stated above, in 2014, ten (10) initial fees were received based on a total actual/estimated bond size of \$477,793,000, fourteen (14) per series fees were received and no per master lease fees were received. By comparison in 2013, eleven (11) initial fees were received based on a total actual/estimated bond size of \$950,493,035, sixteen (16) per series fees were received and three (3) per master lease fees were received. Finally, the note interest income-designated FQHC loan program earned on the Lakewood Resource and Referral Center, Inc. loan issued on January 29, 2010 totaled \$16,000 in 2014 compared to \$21,000 for 2013 or a decrease of \$5,000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Authority (Continued)

Operating expenses – During 2015, operating expenses decreased \$390,000 or 9.1% when compared to 2014. The majority of the decrease in operating expenses is in the category of Professional fees and other and is due in part to the fees and expenses incurred in the amount of \$848,769 for the consultant hired in 2014 to conduct a study of health care services in the Newark area and no such expenditures occurred in 2015 as mentioned previously. Regarding Salaries and related expenses the increase is due in part to an increase in the employer pension expense and an increase in the cost of health benefits and recording of a net position expense in the amount of \$261,000, resulting from GASB Statement 68. Under general and administrative expenses, decreases were in the areas such as meetings and seminars, computer equipment/services, office equipment and furniture, office supplies, printing and postage while increases occurred in areas such as vehicle expense, dues and subscriptions, rent, insurance and equipment maintenance. Concerning the increase in the provision for postemployment benefits, the ARC per the actuarial valuation for 2015 was more than the ARC for 2014. Finally, bad debt expense in 2015 is the result of the Authority having to write off as uncollectible a semi-annual fee for St. Michael's Medical Center which filed for bankruptcy in August of 2015.

When comparing operating expenses during 2014 to 2013, there was an increase of \$1,039,000 or 32.1% when compared to 2013. The majority of the increase in operating expenses is in the category Professional fees and other and again was due in part to the fees and expenses incurred in the amount of \$848,769 for the consultant hired in 2014 to conduct a study of health care services in the Newark area. Regarding Salaries and related expenses the increase is due in part to the filling of a position that had been vacant from March 2013 to October 2013, thus incurring a full year's salary for that position in 2014. In addition, at December 31, 2014 an amount was recorded for the sick payment benefit for the employee that retired on December 31st, as mentioned previously. Furthermore, \$118,000 in net pension expense was recorded as a result of GASB Statement 68. Under general and administrative expenses, increases were in the areas such as meetings and seminars, telephone expense, insurance, office equipment and furniture and computer equipment/services. Concerning the increase in the provision for postemployment benefits, the ARC per the actuarial valuation for 2014 was more than the ARC for 2013.

Nonoperating revenues/(expenses) – During 2015 nonoperating revenues/(expenses) increased \$8,000 or 133.3%. Interest income and gain on disposal of assets increased \$4,000 and \$6,000, respectively while other income decreased \$2,000 and Health Information Exchange ("HIE") grant income and expenses both decreased by \$1,837,000. Interest income in 2015 and 2014 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCMF which totaled \$8,000 in 2015 and \$4,000 in 2014. The average yield on the NJCMF for 2015 and 2014 was 0.11% and 0.06%, respectively or five basis points higher than in 2014. Regarding the gain on disposal of assets, it was as a result of the sale of one of the Authority's 2007 Toyota Prius Hybrids through the Govdeals auction site. Concerning other income, in 2014 it represented funds received from the forfeiture of unexpended Medical Flexible Spending Account funds withheld from an employees pay in 2013 and from a settlement in a class action suit regarding acceleration issues with certain model year Prius Hybrids. Finally, the decrease in the HIE grant income and expenses are as a result of the HIE grant that the Authority had received through the American Recovery and

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Authority (Continued)

Reinvestment Act (ARRA 2009) and which ended on March 14, 2014. The income represented the receipt of the grant funds that had been drawn down while the expenses represented distribution of those funds to the grant coordinator – State of New Jersey, to the HIEs created for the purposes of the grant and/or direct payment to the vendors used by the exchanges for grant purposes.

When comparing nonoperating revenues/(expenses) during 2014 to 2013 there was an increase of \$2,000 or 50.0%. Other income increased \$2,000 while Health Information Exchange ("HIE") grant income and expenses both decreased by \$2,213,000 and interest income remained unchanged. Interest income in 2014 and 2013 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCMF which totaled \$4,000 in both 2014 and 2013. The average yield on the NJCMF for both 2014 and 2013 was 0.06%. Finally, see the above paragraph concerning other income and the description of the HIE grant income and expenses.

Contacting the Authority's Financial Management

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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STATEMENT OF NET POSITION

	December 31,	
	2015	2014
	(\$000)	(\$000)
Assets		
Current assets		
Cash and cash equivalents	\$ 7,386	\$ 6,420
Cash and cash equivalents - designated FQHC loan program	327	1,520
Administrative fees and other receivables	1,918	2,085
Note receivables - designated FQHC loan program	390	286
Note interest receivables - designated FQHC loan program	3	1
Prepaid expenses	3,029	3,341
Total current assets	<u>13,053</u>	<u>13,653</u>
Noncurrent assets		
Note receivable - designated FQHC loan program	1,443	333
Capital assets	677	707
Less accumulated depreciation	(636)	(679)
Total noncurrent assets	<u>1,484</u>	<u>361</u>
Total assets	<u>\$ 14,537</u>	<u>\$ 14,014</u>
Deferred outflows of resources - related to pensions	<u>1,220</u>	<u>600</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 419	\$ 364
Unearned revenue - annual fees	1,732	1,841
Unearned revenue - 142(d) fees	40	46
Total current liabilities	<u>2,191</u>	<u>2,251</u>
Long-term liabilities		
Net pension liability	<u>5,679</u>	<u>4,614</u>
Total liabilities	<u>7,870</u>	<u>6,865</u>
Deferred inflows of resources - related to pensions	<u>91</u>	<u>275</u>
Net position		
Net invested in capital assets	41	28
Unrestricted		
Unassigned	5,591	5,306
Committed - FQHC loan program	2,164	2,140
Total net position	<u>\$ 7,796</u>	<u>\$ 7,474</u>

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

	Year Ended December 31,	
	2015	2014
	(\$000)	(\$000)
Operating revenues		
Administrative fees		
Annual fees	\$ 3,919	\$ 3,804
Initial fees	169	108
Per series/per master lease fees	61	100
Section 142 (d) fees	24	24
Note interest income - designated FQHC loan program	23	16
Total operating revenues	<u>4,196</u>	<u>4,052</u>
Operating expenses		
Salaries and related expenses	2,610	2,420
General and administrative expenses	571	576
Professional fees	345	976
Provision for postemployment benefits	307	294
Depreciation expense	13	12
Bad debt expense	42	-
Total operating expenses	<u>3,888</u>	<u>4,278</u>
Operating income (loss)	<u>308</u>	<u>(226)</u>
Nonoperating revenues (expenses)		
Interest income from investments	8	4
Other income	-	2
Gain on disposal of asset	6	-
HIE grant income	-	1,837
HIE grant expenses	-	(1,837)
Total nonoperating revenues	<u>14</u>	<u>6</u>
Changes in net position	322	(220)
Net position, beginning of year	7,474	11,865
Cumulative change in accounting principle	-	(4,171)
Net position, beginning of year, restated	<u>7,474</u>	<u>7,694</u>
Net position, end of year	<u>\$ 7,796</u>	<u>\$ 7,474</u>

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2015	2014
	(\$000)	(\$000)
Cash flows from operating activities		
Cash received from customers	\$ 4,225	\$ 4,155
Cash payment to suppliers and employees	(3,247)	(3,814)
Net cash from operating activities	978	341
Cash flows from capital and related financing activities		
Acquisition of capital assets	(25)	(15)
Cash received from disposal of assets	6	-
Net cash from capital and related financial activities	(19)	(15)
Cash flows from noncapital financing activities		
Note issued to client institution - designated FQHC loan program	(1,500)	-
Note repaid from client institution - designated FQHC loan program	286	286
Interest received on note - designated FQHC loan program	20	16
Other income	-	2
Net cash from noncapital financial activities	(1,194)	304
Cash flows from investing activities		
Investment income	8	4
Net cash from investing activities	8	4
Net (decrease) increase in cash and cash equivalents	(227)	634
Cash and cash equivalents, beginning of year	7,940	7,306
Cash and cash equivalents, end of year	\$ 7,713	\$ 7,940
Operating income (loss)	\$ 308	\$ (226)
Adjustments		
Depreciation	13	12
Net pension expense	261	118
Note interest income - designated FQHC loan program	(23)	(16)
Changes in assets and liabilities		
Administrative fees and other receivables	167	54
Prepaid expenses	312	291
Accounts payable and accrued expenses	55	43
Unearned revenue	(115)	65
Net cash from operating activities	\$ 978	\$ 341

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

A. ORGANIZATION

The New Jersey Health Care Facilities Financing Authority (the "Authority") is a public body corporate and politic, a political subdivision of the State of New Jersey (the "State") and a public instrumentality organized and existing under and by virtue of the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, N.J.S.A. 26:21:1, *et seq.* (the "Act"). The Authority is empowered to provide financing for health care organizations located in the State. In addition, as provided by the Act, the Authority at the request of the New Jersey Department of Health ("DOH") will assist the DOH in the restructuring of the Health Care System of the State as needed. The Authority is a component unit as reflected in the comprehensive annual financial report of the State.

Under the terms of the Act, the Authority has the power to issue bonds to, in addition to other things, construct, acquire, reconstruct, rehabilitate and improve, and furnish and equip projects on behalf of health care organizations. The Authority enters into loan and security agreements, and in some cases, mortgage agreements with designated health care organizations for each revenue bond issue. The loans and/or mortgages are general obligations of the health care organizations. Each of the Authority's issues of bonds, notes and leases is payable out of revenues derived from separate organizations and is secured by its own series resolution, note resolution or trust agreement and is separate and distinct as to source of payment and security, except for certain issues for the same organization or system which may be secured on a parity basis. The Authority assigns the loan and security agreements and, if any, mortgage agreements to the trustee for each bond issue, without recourse to the Authority.

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

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

A. ORGANIZATION (CONTINUED)

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

The Authority is exempt from both federal and state taxes.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standards setting body for establishing government accounting and financial reporting principles. The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Operating Revenues and Expenses

Operating revenues and expenses result from providing services to various health care organizations in connection with the issuance of bonds, notes, and/or leases. The Authority's principal operating revenues are the administrative fees that it charges these entities as further explained under revenue recognition. Such fees are recognized when earned. Operating expenses include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue Recognition

Administrative Fees

The Authority charges an upfront fee comprised of an initial fee, per series fee or per master lease fee to those health care organizations that have executed a Memorandum of Understanding signifying the organization's intentions to have the Authority finance a project through the issuance of bonds, notes or through the entering of a master lease. A separate application fee is charged to those health care organizations who wish to finance a project through the issuance of a Capital Asset Program Loan. An annual fee is also charged to those health care organizations for which bond sales, note sales and/or lease agreements have been completed. Such fees are charged for the processing of project costs, investment management of bond proceeds, monitoring of financial

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative Fees (Continued)

performance, and other services provided to the organizations. For the Authority's Federally Qualified Health Centers ("FQHCs) loan program an initial fee, closing fee and annual fee is charged. The fees are charged for the processing of the loan, processing of project costs, if any and monitoring of financial performance. The administrative 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. All administrative fees are deemed collectible.

Section 142(d) Fees

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

Capital Assets

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

	<u>Useful Lives</u>
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 and cash equivalents consist of the Authority's checking account and units of the State of New Jersey Cash Management Fund ("NJCMF").

Restatement of Net Position

In 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The December 31, 2014, net position was restated as follows:

Net position, beginning of year, at December 31- reported	\$	11,865
Change in reporting for net pension liability		(4,171)
Net position, beginning of year, at December 31- restated	<u>\$</u>	<u>7,694</u>

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

C. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents at December 31, 2015 and 2014, are:

	2015	2014
Operating checking account	\$ 35	\$ 73
New Jersey Cash Management Fund	7,351	6,347
New Jersey Cash Management Fund - designated FQHC loan program	327	1,520
Total cash and cash equivalents	<u>\$ 7,713</u>	<u>\$ 7,940</u>

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

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

C. CASH AND CASH EQUIVALENTS (CONTINUED)

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

At December 31, 2015 and December 31, 2014, the Authority's bank balance of \$63,698 and \$102,162, respectively, was not exposed to custodial credit risk since the full amount was covered by FDIC insurance. The NJCMF balance of \$7,677,938 and \$7,866,524 at December 31, 2015 and December 31, 2014, respectively, which is administered by the New Jersey Department of the Treasury, Division of Investments, invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, Short-Term Commercial Paper, U.S. Government Agency Bonds, Corporate Bonds, and Certificates of Deposits. Agencies that are part of the NJCMF typically earn returns that mirror short-term interest rates. The NJCMF is considered an investment pool and as such is not exposed to custodial credit risk. The Authority does not have a formal policy for deposit custodial credit risk other than to maintain sufficient funds in the checking account to cover checks that have not cleared the account as of a specific date. The majority of available funds were being held in the NJCMF, which are classified as cash and cash equivalents. The Authority does not have a formal policy for investment securities custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution.

- (b) Concentration of Credit Risk - This is the risk associated with the amount of investments the Authority has with any one issuer that exceed five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments were excluded from this requirement. The Authority places no limit on the amount it may invest in any one issuer. The Authority does not have any credit risk since there were no investments in the Authority's portfolio, as of December 31, 2015 and 2014.
- (c) Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Authority does not have an investment policy regarding credit risk except to the extent previously outlined under the Authority's investment policy. The NJCMF is not rated.

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NOTES TO FINANCIAL STATEMENTS

C. CASH AND CASH EQUIVALENTS (CONTINUED)

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

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

At the Authority's meeting on July 23, 2009, the members of the Authority approved the creation of a loan program using the Authority's unrestricted net position that exceeded a six month cash-on-hand reserve (approximately \$2 million) to provide funding, including capital and working capital, for start-up FQHCs. The terms of said loans will vary from five to ten years with interest due and computed using the monthly variable rate on the NJCMF plus 2%. Subsequently, at the Authority's meeting on December 18, 2014, the members of the Authority approved expanding the loan program to existing FQHCs that would like to expand. The term of the loans and interest due for existing FQHCs will be similar to the terms for the start-up FQHCs. Further, an additional \$1.5 million from the Authority's fund balance will be added to the loan program as demand requires, which would bring the potential pool of funds to \$3.5 million. The maximum loan amount remains at \$2 million and the repaid funds will be returned to the FQHC loan program to be lent out in the future to start-up and existing FQHCs.

The table below summarizes the Authority's remaining loan payments to be received, for the two loans outstanding, which are considered to be fully collectible.

Lakewood Resource and Referral Center, Inc. Loan dated January 29, 2010, due February 1, 2017.

Year Ending December 31,	Principal	Estimated Interest	Total
2016	\$ 285,708	\$ 4,048	\$ 289,756
2017	47,662	119	47,781
Total	<u>\$ 333,370</u>	<u>\$ 4,167</u>	<u>\$ 337,537</u>

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

D. FEDERALLY QUALIFIED HEALTH CENTER (“FQHC”) LOAN PROGRAM (CONTINUED)

Lakewood Resource and Referral Center, Inc. loan dated July 27, 2015, due July 1, 2022.

Year Ending December 31,	Principal	Estimated Interest	Total
2016	\$ 104,167	\$ 29,668	\$ 133,835
2017	250,000	25,609	275,609
2018	250,000	20,622	270,622
2019	250,000	15,622	265,622
2020	250,000	10,632	260,632
2021	250,000	5,619	255,619
2022	145,833	969	146,802
Total	<u>\$ 1,500,000</u>	<u>\$ 108,741</u>	<u>\$ 1,608,741</u>

E. PENSION PLAN

The Authority’s employees participate in the Public Employees’ Retirement System (“PERS”) which is administered and/or regulated by the New Jersey Division of Pensions and Benefits. PERS has a separate board of trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295, or by visiting their website at www.state.nj/treasury/pensions.

Plan Description

PERS is a cost sharing multiple-employer defined benefit plan which was established as of January 1, 1955. The PERS plan provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:38.

Benefits Provided

All benefits vest after ten years of service, except for medical benefits, which are described in Note F.

Contributions

The Authority’s contribution is determined by State statute and is based upon an actuarial computation performed by the PERS. The Authority is billed annually for its normal contribution plus any accrued liability.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

E. PENSION PLAN (CONTINUED)

Contributions (Continued)

The Authority's total and covered payroll for the years ended December 31, 2015, 2014 and 2013 was, \$1,644,881, \$1,714,089 and \$1,704,820, respectively. Contributions to the PERS from the Authority for the years ended December 31, 2015, 2014 and 2013 were \$203,167, 164,448 and \$181,877, respectively.

The contribution requirements of plan members are determined by state statute. Plan members enrolled in the PERS were required to contribute 5.00% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.50% of their annual covered salary. Then pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.00% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012, and increases each subsequent July 1. The active member effective contribution rates were 7.06%, July 1, 2015, 6.92%, July 1, 2014, 6.78%, July 1, 2013, and 6.64%, July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources- Related to Pensions

At December 31, 2015 and 2014, the Authority reported a liability of \$5,678,765 and \$4,614,154, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the plan, actuarial determined. At June 30, 2015, the Authority's proportion was .0252%, which was a decrease of 0.0006% from its proportion measured as of June 30, 2014. For the years ended December 31, 2015 and 2014, the Authority recognized pension expense of \$471,014, and \$292,104, respectively. The Authority reported deferred outflows and inflows of resources as follows:

	2015		2014	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ 135,475	\$ -	\$ -	\$ -
Changes in assumptions	609,854	-	145,094	-
Net difference between projected and actual earnings on pension plan investments	-	91,304	-	274,979
Changes in proportion	475,205	-	455,190	-
	<u>\$ 1,220,534</u>	<u>\$ 91,304</u>	<u>\$ 600,284</u>	<u>\$ 274,979</u>

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

E. PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary increases	2.15%-4.4% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables, with adjustments for mortality improvements from the base year 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

In accordance with State statute, the long term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees, and the actuaries. Best estimates of arithmetic real rates of return of each major asset class included in PERS's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equities	9.25%	12.41%
Hedge Fund/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

E. PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projected cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

The Authority is amortizing this liability over a 30-year period using a level dollar method on an open basis. The Authority's annual OPEB cost and net OPEB (prepaid)/obligation for the years ended December 31, 2015 and 2014, and the related information for the Plan are as follows:

	2015	2014
Annual required contributions	\$ 307	\$ 294
Contributions made	-	-
Increase in net OPEB obligations	307	294
Prepaid OPEB obligation - beginning of year	(3,214)	(3,508)
Prepaid OPEB obligation - end of year	<u>\$ (2,907)</u>	<u>\$ (3,214)</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2015, 2014 and 2013 are as follows:

Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation/ (Prepaid)
December 31, 2015	\$ 358	100%	\$ (2,907)
December 31, 2014	344	100%	(3,214)
December 31, 2013	332	100%	(3,508)

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

At January 1, 2013, the actuarial accrued liability for benefits in the Trust was \$5,149,111. At December 31, 2015, funds in the Trust totaled \$5,816,184. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,644,881 for the year ended December 31, 2015, and the ratio of the funded actuarial accrued liability as a percentage of covered payroll was 354%.

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

G. COMMITMENTS

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

H. RELATED PARTY TRANSACTIONS

Operating expenses for the years ended December 31, 2015 and 2014, include approximately \$354,000 and \$245,000, respectively, relating to payment for goods and services provided by various State agencies.

I. CONDUIT DEBT AND MASTER LEASE OBLIGATIONS

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks or rewards of the related financing. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. During the years ended December 31, 2015 and 2014, the Authority issued \$504,039,000 and \$434,103,000, respectively, in conduit debt. The amount of conduit debt outstanding at December 31, 2015 and 2014, totaled \$6,169,074,836 and \$6,236,513,042, respectively.

Regarding the Master Leasing Program, during the years ended December 31, 2015 and 2014, leases entered into totaled \$7,845,950 and \$0, respectively. The amount of lease payments outstanding at December 31, 2015 and 2014, totaled \$18,058,522 and \$17,572,227, respectively.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

J. RISK MANAGEMENT

The Authority maintains a Not-For-Profit Protector Individual and Organization Insurance Policy (Directors and Officers Liability) that provides protection to the Authority's past, present and future members, committee members, officers and staff for official actions that may have been taken while carrying out their normal duties on behalf of the Authority. The Authority's policy which covers the period December 18, 2015 through December 18, 2016, has a \$20 million liability limit with a retention level of \$175,000 at a premium cost of \$81,577.

K. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement 72, *Fair Value Measurement and Application*

Statement 72 describes how fair value should be defined and measured, the use of various valuation techniques and which information about fair value should be disclosed in the notes to the financial statements. Statement 72 is effective for financial statements for periods beginning after June 15, 2015.

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statements 75 provides guidance for reporting by state and local governments that provide OPEB, such as retiree health insurance, to their employees and for governments that finance OPEB for employees of other governments. Statement 75 is effective for fiscal years beginning after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTHCARE PLAN

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

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

	<u>2015</u>	<u>2014</u>
Proportion of Net Pension Liability	0.0252974240%	0.0246446573%
Proportionate Share of Net Pension Liability	\$ 5,678,765	\$ 4,614,154
Cover-Employee Payroll	\$ 1,644,881	\$ 1,714,089
Proportionate Share of Net Pension Liability as a Percentage of Payroll	28.97%	37.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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SCHEDULE OF CONTRIBUTIONS

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 203,167	\$ 164,448
Contribution in Relation to the Contractually Required Contribution	<u>203,167</u>	<u>164,448</u>
	<u>\$ -</u>	<u>\$ -</u>
 Covered-Employee Payroll	 \$ 1,644,881	 \$ 1,714,089
Contributions as a Percentage of Covered- Employee Payroll	12.35%	9.59%

**OTHER SUPPLEMENTARY INFORMATION –
TRUSTEE HELD FUNDS**

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

STATEMENT OF NET POSITION FOR TRUSTEE HELD FUNDS

	December 31,	
	2015	2014
	(\$000)	(\$000)
Assets		
Mortgages and loans receivable, net	\$ 4,802,107	\$ 4,630,788
Capital asset program notes receivable, net	40,232	49,487
Equipment revenue notes receivable, net	1,005	1,399
Lease receivable	266,545	275,655
State contract bonds receivable	385,825	397,445
Bond anticipation notes receivable	-	150,000
Construction/program accounts		
Cash and cash equivalents	289,125	336,242
Investments	65,474	70,582
Prepaid expenses	11	10
Debt service accounts		
Cash and cash equivalents	155,881	150,547
Investments	2,595	2,015
Receivable from master trustee/institution	11,147	12,829
Debt service reserve accounts		
Cash and cash equivalents	173,721	192,773
Investments	68,316	58,819
Master lease funds		
Cash and cash equivalents	3,473	642
Lease payments receivable, net	14,586	16,930
Total assets	\$ 6,280,043	\$ 6,346,163
Liabilities and net position		
Bonds payable	\$ 6,168,070	\$ 6,235,097
Revenue notes payable	1,005	1,416
Accrued interest payable	91,915	91,054
Accrued expenses	225	240
Master lease payable	18,059	17,572
Capital Asset Program net position	769	784
Total liabilities and net position	\$ 6,280,043	\$ 6,346,163

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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STATEMENT OF CASH FLOWS FOR TRUSTEE HELD FUNDS

	Year Ended December 31,	
	2015	2014
	(\$000)	(\$000)
Cash flows from operating activities		
Payments received from institutions under agreements	\$ 485,582	\$ 425,829
Equity contributions from institutions	491	36,848
Disbursements for construction/acquisition and issuance expense	(271,020)	(122,938)
Other disbursements	(24,002)	(66,712)
Net cash from operating activities	191,051	273,027
Cash flows from noncapital financing activities		
Face amount of revenue bonds	504,039	434,103
Deductions at time of sale, net	(104,216)	(217,007)
Refunding of pre-existing debt/escrows fund deposit	(26,894)	(90,805)
Net proceeds from sale of revenue bonds	372,929	126,291
Principal/premium paid on revenue bonds	(385,499)	(219,227)
Interest paid on revenue bonds	(235,167)	(240,803)
Net cash from noncapital financing activities	(247,737)	(333,739)
Cash flows from capital financing activities		
Lease escrow deposit	7,846	-
Disbursements for equipment	(5,221)	(2,604)
Payments received from institutions under lease/sublease agreements	7,981	6,796
Principal/premium paid on master lease	(7,360)	(6,248)
Interest paid on master lease	(416)	(456)
Net cash from capital financing activities	2,830	(2,512)
Cash flows from investing activities		
Net investment in securities	(6,085)	(63,428)
Interest on investments	1,937	1,036
Net cash from investing activities	(4,148)	(62,392)
Net decrease in cash and cash equivalents	(58,004)	(125,616)
Cash and cash equivalents, beginning of year	680,204	805,820
Cash and cash equivalents, end of year	\$ 622,200	\$ 680,204

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO SUPPLEMENTARY INFORMATION

A. BACKGROUND – CONDUIT DEBT

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Funds - The Authority maintains books of account for each of the issues of debt outstanding for the Funds. The Funds are combined for financial statement presentation. The following is a description of the Authority's financing programs:

- *Capital Asset Program* - Accounts for the receipt and disbursement of funds in connection with the Authority's Capital Asset Revenue Bonds, Series A through D. The Program was designed to issue loans to certain eligible borrowers for capital asset needs. These bonds were initially issued without designated borrowers. Under the Capital Asset Program, the Authority was required to establish a Debt Service Reserve Fund which may be used to pay debt service if pledged revenues are insufficient.
- *Revenue Bond/Note Program* - Accounts for the receipt and disbursement of funds in connection with the various revenue bonds/notes issued by the Authority to designated borrowers for specific purposes as described in the applicable bond and note resolutions.
- *Master Leasing Program* – Accounts for the receipt and disbursement of funds in connection with leases entered into by the Authority with designated borrowers for leasing of specific equipment as described in the applicable master lease and sublease agreements.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO SUPPLEMENTARY INFORMATION

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the above programs the assets of the construction/program accounts, debt service accounts and debt service reserve accounts are held by trustees in accordance with the applicable bond and note resolutions as well as lease agreements. The resolutions/agreements establish the following accounts, which are referred to as funds. These do not represent "funds" as the term is used in generally accepted accounting principles, but are separate "accounts" used to delineate the accounting and reporting of bond/notes/lease related monies.

- Construction/Program Accounts - Accounts for the receipt and disbursement of monies for the payment of construction expenses, related equipment expenditures and expenses associated with bond issues.
- Debt Service Accounts - Accounts for the receipt and disbursement of monies held on behalf of the designated borrowers for the payment of bond or note principal and interest.
- Debt Service Reserve Accounts - Accounts for the receipt and disbursement of monies held in reserve on behalf of the investors in compliance with applicable bond resolutions. When required, the Debt Service Reserve Funds are generally maintained at an amount equal to the greatest annual amount of principal and interest payable.
- Master Lease Accounts – Accounts for the receipt and disbursement of monies held on behalf of sublessee user for the related equipment expenditures and for the payment of the lease principal and interest.

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

C. MORTGAGES AND LOANS RECEIVABLE

Loans are granted by the Authority to borrowers for periods concurrent with those of the related bond issues. In some instances, mortgages, and in most instances, a pledge of gross receipts is granted to the Authority to support the respective loans. The organizations are required to make principal and interest payments to the Authority or trustee bank sufficient to meet the principal and interest requirements of the bonds. To the extent required by the applicable bond documents, funds received by the Authority have been placed in debt service and debt service reserve funds for future principal and interest payments.

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO SUPPLEMENTARY INFORMATION

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

As of December 31, 2015 and 2014, mortgages and loans receivable were:

	2015	2014
	(\$000)	
Mortgages		
Holy Name Hospital	\$ 60,000	\$ 60,000
CentraState Assisted Living, Inc.	4,587	4,908
Total mortgages receivable	<u>\$ 64,587</u>	<u>\$ 64,908</u>
Loans		
Secured by pledge of collateral with trustees:		
Christian Health Care Center	\$ 5,740	\$ 5,910
Bartley Assisted Living, LLC	4,576	4,774
JFK Assisted Living	7,982	8,664
Meridian Hospitals Corporation	14,655	15,280
Wiley Mission Project	10,900	11,663
The Matheny School and Hospital	1,600	1,800
Robert Wood Johnson University Hospital	41,870	45,560
Virtua Health, Inc.	53,680	55,965
Rahway Hospital	9,900	11,000
South Jersey Hospital, Inc. (currently Inspira Medical Centers, Inc.)	10,985	11,415
Children's Specialized Hospital	40,593	44,357
East Orange General Hospital	5,710	6,645
FitnessFirst Oradell Center, LLC	2,000	2,830
MHAC I, LLC	26,560	27,535
Southern Ocean County Hospital	15,745	16,090
Underwood-Memorial Hospital (currently Inspira Medical Center Woodbury)	48,825	50,725
Kennedy Health Facilities	14,752	15,089
St. Ann's Home for the Aged	10,937	11,147
Bridgeway Assisted Living	4,482	4,688
Samaritan Healthcare and Hospice	7,864	-
University Hospital	254,975	-

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO SUPPLEMENTARY INFORMATION

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

	2015	2014
	(\$000)	
Loans (Continued)		
Secured by pledge of gross receipts under Master Trust Indenture:		
Hackensack Medical Center (currently Hackensack University Medical Center)	472,822	404,265
Saint Peter's Medical Center (currently Saint Peter's University Hospital)	153,425	157,760
Hunterdon Medical Center	68,902	70,290
Palisades Medical Center	44,925	46,265
Shore Memorial Health Care System	65,219	68,487
South Jersey Hospital System (currently Inspira Medical Centers, Inc.)	137,625	139,325
Raritan Bay Medical Center	34,700	36,500
St. Joseph's Hospital and Medical Center Obligated Group	222,945	227,160
AHS Hospital Corporation	431,295	440,535
Kennedy Health System Obligated Group	63,610	64,375
Christian Health Care Center	18,070	19,030
CentraState Medical Center Obligated Group	83,470	86,360
Virtua Health, Inc.	574,880	586,140
Saint Barnabas Health Care System (currently Barnabas Health, Inc.)	162,280	162,390
Catholic Health East	102,920	107,930
Meridian Health System Obligated Group	636,049	522,525
RWJ Health Care Corporation at Hamilton, Obligated Group	99,487	101,972
Trinitas Hospital Obligated Group	114,915	119,890
The House of the Good Shepherd	12,990	13,640
AtlantiCare Regional Medical Center	-	231,805
Princeton Healthcare System	193,505	197,675
Holy Name Medical Center	43,440	46,875
Robert Wood Johnson Hospital	375,405	378,955
Barnabas Health, Inc.	592,510	612,620
St. Luke's Warren Hospital Obligated Group	37,410	37,410
Deborah Heart and Lung Center Obligated Group	13,983	15,773
Total loans receivable	5,351,113	5,247,089
Total mortgages and loans receivable	5,415,700	5,311,997
Less cash and investments held by trustees	613,593	681,209
Mortgages and loans receivable, net	\$ 4,802,107	\$ 4,630,788

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO SUPPLEMENTARY INFORMATION

D. CAPITAL ASSET PROGRAM NOTES RECEIVABLE

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

As of December 31, 2015 and 2014, Capital Asset Program notes receivable were:

	2015	2014
	(\$000)	(\$000)
P.G. Chambers School (formerly Children's Center for Therapy and Learning, Inc.)	\$ 506	\$ 641
Cooper Health System	2,462	2,823
Meridian Nursing and Rehabilitation at Ocean Grove	3,842	4,450
South Jersey Hospital	17,926	22,845
CentraState Medical Center	4,858	5,784
Englewood Hospital	8,138	9,587
Chilton Hospital	2,500	3,357
Total Capital Asset Program notes receivable	<u>\$ 40,232</u>	<u>\$ 49,487</u>

E. EQUIPMENT REVENUE NOTES RECEIVABLE

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

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

	2015	2014
	(\$000)	(\$000)
Christian Health Care Center	\$ 1,005	\$ 1,416
Total equipment revenue notes receivable	1,005	1,416
Less cash and investment held by trustee	-	17
Equipment revenue notes receivable, net	<u>\$ 1,005</u>	<u>\$ 1,399</u>

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO SUPPLEMENTARY INFORMATION

F. LEASE RECEIVABLE

The Authority entered into a 50-year lease on December 18, 2003, with the Department of Human Services of the State of New Jersey ("DHS") whereby the Authority obtained a lease on the existing property and buildings of the Greystone Park Psychiatric Hospital. The Authority agreed to make major improvements to the leased property and sublease the property back to DHS. Under the sublease, DHS agreed to make rental payments to the Authority that are sufficient to pay the principal, interest and other costs associated with the financing, subject to appropriation. There is no remedy provided to the Authority under the sublease for any default by DHS in its payments of rent or failure by DHS to make sublease payments, if the moneys are not appropriated.

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

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

	2015	2014
	(\$000)	
Greystone Park Psychiatric Hospital	\$ 197,640	\$ 205,520
Marlboro Psychiatric Hospital	68,905	70,135
Total Lease Receivable	<u>\$ 266,545</u>	<u>\$ 275,655</u>

G. STATE CONTRACT BONDS RECEIVABLE

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
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NOTES TO SUPPLEMENTARY INFORMATION

G. STATE CONTRACT BONDS RECEIVABLE (CONTINUED)

At December 31, 2015 and 2014, State contract bonds receivable were as follows:

	2015	2014
	(\$000)	
St. Mary's Hospital	\$ 19,665	\$ 21,670
St. Michael's Medical Center, Inc.	223,880	228,780
Solaris Health System	142,280	146,995
Total State contract bonds receivable	<u>\$ 385,825</u>	<u>\$ 397,445</u>

H. BOND ANTICIPATION NOTES RECEIVABLE

As a result of the New Jersey Medical and Health Sciences Education Restructuring Act (the "Restructuring Act") signed into law on August 22, 2012, the University of Medicine and Dentistry was divided among Rutgers University, Rowan University, and the newly-created stand-alone University Hospital. By issuing Bond Anticipation Notes ("BANs") on July 1, 2013, University Hospital had an opportunity to establish normative operations and a history of operations. On December 22, 2015, University Hospital executed its Series 2015A tax-exempt bond financing. The proceeds of the bonds were used to redeem all of the Authority's outstanding Revenue Bond Anticipation Notes, University Hospital Issue, Series 2013A; finance a portion of the costs of various capital improvements to University Hospital's existing acute care facility located in Newark, New Jersey; fund a Debt Service Reserve Fund, and pay the costs of issuance. At the same time, the University Hospital Issue, Series 2013B BANs were redeemed with hospital funds. As of December 31, 2015 and 2014, respectively, the BAN receivable was \$0 and \$150,000,000.

I. MASTER LEASE RECEIVABLE

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

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NOTES TO SUPPLEMENTARY INFORMATION

I. MASTER LEASE RECEIVABLE (CONTINUED)

At December 31, 2015 and 2014, Master Lease receivables were as follows:

	2015	2014
	(\$000)	
St. Barnabas Medical Center	\$ 6,859	\$ 4,345
Monmouth Medical Center	4,057	2,512
Clara Maass Medical Center	1,758	2,631
Community Medical Center	1,233	1,983
Kimball Medical Center	202	350
Newark Beth Israel Medical Center	2,547	3,837
Barnabas Corporation d/b/a Barnabas Health	1,403	1,914
Total Master Lease receivable	<u>18,059</u>	<u>17,572</u>
Less cash and investments held by trustee	<u>3,473</u>	<u>642</u>
Net Master Lease receivable	<u><u>\$ 14,586</u></u>	<u><u>\$ 16,930</u></u>

J. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The components of cash and cash equivalents and investments at December 31, 2015 and 2014, are as follows:

	2015	2014
	(\$000)	
Cash and cash equivalents		
Money Market Funds (which includes New Jersey Cash Management Fund)	\$ 622,200	\$ 680,204
Investments		
Investment agreements collateralized	5,268	10,364
U.S. Treasury and Agency obligations	131,117	121,052
Total cash and cash equivalents and investments	<u><u>\$ 758,585</u></u>	<u><u>\$ 811,620</u></u>

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

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

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NOTES TO SUPPLEMENTARY INFORMATION

J. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

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

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

K. REVENUE BONDS, NOTES AND MASTER LEASES

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

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

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NOTES TO SUPPLEMENTARY INFORMATION

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

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31,	
			2015	2014
(\$000)				
Revenue bonds				
Public issues				
Raritan Bay Medical Center, Series 1994	2027	7.25 Weekly	\$ 34,700	\$ 36,500
Christian Health Care Center, Series 1997 B	2028	variable rate Weekly	6,400	6,800
Christian Health Care Center, Series 1998 A-3	2018	variable rate	200	200
Saint Barnabas Health Care System, Series 1998 B (currently a part of Barnabas Health, Inc.)	2028	0.00 - 5.25 Weekly	21,206	21,206
RWJ Health Corporation at Hamilton, Series 2002	2032	variable rate Weekly	20,955	22,040
Meridian Health System Obligated Group, Series 2003 A	2033	variable rate Weekly	60,000	60,000
The Matheny School and Hospital Inc., Series 2003 A-2	2023	variable rate Weekly	1,600	1,800
Robert Wood Johnson University Hospital, Inc., Series 2003 A-3	2023	variable rate Weekly	8,000	9,900
Virtua Health Inc., Series 2003 A-7	2018	variable rate Weekly	2,600	3,400
Rahway Hospital, Series 2003 A-8	2023	variable rate Weekly	9,900	11,000
Meridian Nursing and Rehab, Series 2004 A-3	2035	variable rate Weekly	11,155	11,560
South Jersey Hospital, Inc., Series 2004 A-4	2034	variable rate Weekly	10,985	11,415
RWJ University Hospital, Series 2004	2029	variable rate Weekly	33,870	35,660
Virtua Health, Series 2004	2033	variable rate	51,080	52,565
RWJ Health Care Corp. at Hamilton, Series 2005 B	2035	4.00 - 5.00	54,085	54,085
Children's Specialized Hospital, Project Series 2005 A	2036	5.00 - 5.50 Weekly	*	29,425
Christian Health Care Center, Series 2005 A-2	2035	variable rate Weekly	5,540	5,710
Southern Ocean County Hospital, Series 2006	2036	variable rate	15,745	16,090
Holy Name Hospital, Series 2006	2036	5.00 - 5.25	60,000	60,000
South Jersey Hospital, Series 2006	2046	5.00	137,625	139,325

(*Denotes defeased or paid off.)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31,	
			2015	2014
(5000)				
Revenue bonds				
Public issues (Continued)				
East Orange General Hospital, Series 2006 A-2	2021	Weekly variable rate	5,710	6,645
Meridian Nursing and Rehabilitation, Series 2006 A-3	2031	Weekly variable rate	3,500	3,720
MHAC I, LLC, Series 2006 A-4	2027	Weekly variable rate	15,645	16,620
MHAC I, LLC, Series 2006 A-5	2036	Weekly variable rate	10,915	10,915
FitnessFirst Oradell Center, LLC, Series 2006 A-6	2031	Weekly variable rate	2,000	2,830
CentraState Medical Center, Series 2006 A	2021	3.625 - 4.00	38,480	38,975
Saint Barnabas Health Care System, Series 2006 A, currently Barnabas Health, Inc.	2029	5.00	62,825	62,935
Saint Barnabas Health Care System, Series 2006 B, currently Barnabas Health, Inc.	2038	0.00	78,249	78,249
St. Mary's Hospital, Passaic, New Jersey, Series 2007-1	2027	4.00 - 5.00	14,275	14,275
St. Mary's Hospital, Passaic, New Jersey, Series 2007-2	2018	5.265	5,390	7,395
Catholic Health East Health System, Series 2007 E	2033	Indexed rate	1,360	1,380
Trinitas Hospital Obligated Group, Series 2007 A	2030	4.75 - 5.25	65,050	65,050
Trinitas Hospital Obligated Group, Series 2007 B	2023	5.25 - 8.08	49,865	54,840
AtlantiCare Regional Medical Center, Series 2007	2037	4.00 - 5.00	*	105,340
Meridian Health System Obligated Group, Series 2007	2038	5.00	137,825	139,375
Saint Peter's University Hospital Obligated Group, Series 2007	2037	5.25 - 5.75	63,055	63,850
Hackensack University Medical Center, Series 2008	2041	4.00 - 5.375	221,170	226,385
AHS Hospital Corp., Series 2008 A	2023	3.50 - 5.125	127,990	136,070
AHS Hospital Corp., Series 2008 B	2036	Weekly variable rate	88,555	88,555
AHS Hospital Corp., Series 2008 C	2036	Weekly variable rate	88,555	88,555
Underwood-Memorial Hospital, Series 2008	2033	Weekly variable rate	48,825	50,725
St. Michael's Medical Center (HATP), Series 2008 A	2038	5.00 - 5.50	223,880	228,780
St. Joseph's Healthcare System Obligated Group, Series 2008	2038	Weekly 5.75 - 6.625	222,945	227,160
Christian Health Care Center, Series 2009	2038	Weekly variable rate	11,670	12,230
Virtua Health, Series 2009 A	2038	4.375 - 6.00	244,555	244,555
Virtua Health, Series 2009 B	2043	Daily variable rate	60,000	60,000
Virtua Health, Series 2009 C	2043	Daily variable rate	40,000	40,000
Virtua Health, Series 2009 D	2043	Weekly variable rate	65,000	65,000
Virtua Health, Series 2009 E	2043	Weekly variable rate	20,000	20,000
Solaris (HATP), Series 2009 A	2032	4.00 - 5.75	142,280	146,995
Catholic Health East, Series 2010	2033	2.00 - 5.25	101,560	106,550
Hackensack University Medical Center, Series 2010	2034	3.00 - 5.00	68,270	72,025
Holy Name Medical Center, Series 2010	2025	3.00 - 5.00	43,440	46,875
RWJ University Hospital, Series 2010	2031	2.00 - 5.00	109,305	112,855
Hackensack University Medical Center, Series 2010 B	2028	4.00 - 5.00	100,260	105,855
AHS Hospital Corporation, Series 2011	2041	4.00 - 6.00	126,195	127,355
Saint Peter's University Hospital Obligated Group, Series 2011	2035	5.00 - 6.25	90,370	93,910

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NOTES TO SUPPLEMENTARY INFORMATION

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31,	
			2015	2014
(\$000)				
Revenue bonds				
Public issues (Continued)				
Barnabas Health, Series 2011 A	2041	3.00 - 5.75 Weekly	283,150	299,810
Barnabas Health, Series 2011 B	2038	variable rate Weekly	34,910	34,910
Barnabas Health, Series 2011 C	2038	variable rate	42,990	42,990
Meridian Health System, Series 2011	2027	2.00 - 5.00	152,920	164,685
Kennedy Health System, Series 2012	2042	2.00 - 5.00	63,610	64,375
Barnabas Health, Series 2012 A	2026	2.00 - 5.00	101,535	104,985
Greystone Park Psychiatric Hospital Project, Series 2013A	2033	3.50 - 5.00	50,730	50,730
Greystone Park Psychiatric Hospital Project, Series 2013B	2028	4.00 - 5.00	146,910	154,790
Marlboro Psychiatric Hospital Project, Series 2013	2033	3.00 - 5.00	68,905	70,135
Meridian Health System Obligated Group, Series 2013A	2032	4.00 - 5.00	24,900	26,200
St. Luke's Warren Hospital Obligated Group, Series 2013	2043	4.00 - 5.00	37,410	37,410
Palisades Medical Center Obligated Group, Series 2013	2043	2.35 - 5.50	44,925	46,265
Robert Wood Johnson University Hospital, Series 2013A	2043	3.00 - 5.50	110,175	110,175
Robert Wood Johnson University Hospital, Series 2013B	2043	Weekly variable rate	70,000	70,000
Virtua Health, Series 2013	2029	3.00 - 5.00	140,020	140,020
RWJ University Hospital, Series 2014A	2043	5.00	55,925	55,925
RWJ University Hospital, Series 2014B	2043	variable rate	30,000	30,000
Barnabas Health Obligated Group, Series 2014A	2044	4.25 - 5.00	129,925	129,925
Hunterdon Medical Center, Series 2014A	2045	4.00 - 5.00	42,735	42,735
University Hospital, Series 2015A	2046	4.125-5.00	254,975	-
Total public issues			5,231,265	5,237,575
Private placements				
CentraState Assisted Living, Inc., Series 1998	2018	4.3955 Monthly	4,587	4,908
Bartley Assisted Living LLC, Series 2000	2025	variable rate	4,577	4,774
JFK Assisted Living Series 2001	2026	3.33	7,982	8,664
Shore Memorial Hospital Obligated Group, Series 2009	2039	Weekly Indexed rate	27,135	27,680
Kennedy Health Facilities, Inc. Series 2009	2039	Weekly variable rate	14,752	15,089
Shore Memorial Hospital Obligated Group, Series 2010	2039	Indexed rate	13,610	13,870
St. Ann's Home for the Aged, Series 2010	2040	Indexed rate	10,937	11,147
Princeton HealthCare System, Series 2010 B	2041	Indexed rate	46,190	47,235
Princeton HealthCare System, Series 2010 C	2041	Indexed rate	84,335	86,035
Princeton HealthCare System, Series 2010 D	2041	Indexed rate	62,980	64,405
Bridgeway Assisted Living LLC., Series 2010	2020	Indexed rate	4,482	4,688
Virtua Health, Inc., Series 2011	2018	1.062-1.956	5,305	16,565
Shore Memorial Hospital, Series 2011	2022	4.86	9,159	10,332
Atlanticare Regional Medical Center, Series 2012 A	2030	2.11 reset in 7 years	*	33,525
Atlanticare Regional Medical Center, Series 2012 B	2025	2.35	*	32,940

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31,	
			2015	2014
(\$000)				
Revenue bonds				
Private placements (Continued)				
Meridian Health System Obligated Group, Series 2012 A	2033	Monthly variable rate	38,505	39,005
Meridian Health System Obligated Group, Series 2012 B	2038	Monthly variable rate	46,130	46,630
Meridian Health System Obligated Group, Series 2012 C	2038	Monthly variable rate	46,130	46,630
House of the Good Shepherd Obligated Group, Series 2012	2031	2.54 to 2022, 4.41 after	12,990	13,640
Wiley Mission, Series 2012 Lot A	2029	Monthly variable rate	9,159	9,673
Wiley Mission, Series 2012 Lot B	2022	Monthly variable rate	1,741	1,990
University Hospital, Series 2013A	2017	Indexed rate	*	147,510
University Hospital, Series 2013B	2017	Indexed rate	*	2,490
Children's Specialized Hospital, Series 2013A	2036	3.23	9,595	9,927
Children's Specialized Hospital, Series 2013B	2036	1.47	4,874	5,005
RWJ Health Care Corporation at Hamilton, Series 2013	2028	4.39	24,447	25,847
Shore Memorial Health Care System, Series 2013	2023	Indexed rate	15,315	16,605
Deborah Heart & Lung Center, Obligated Group, Series 2014	2023	4.28	13,983	15,773
CentraState Medical Center, Obligated Group, Series 2014A	2028	2.97	29,810	29,810
CentraState Medical Center, Obligated Group, Series 2014B	2018	1.50	5,790	7,645
CentraState Medical Center, Obligated Group, Series 2014C	2029	3.00	9,390	9,930
AtlantiCare Regional Medical, Obligated Group, Series 2014	2042	2.79	*	60,000
Hunterdon Medical Center, Series 2014B	2029	2.44	16,260	16,260
Hunterdon Medical Center, Series 2014C	2019	indexed rate	5,155	6,360
Hunterdon Medical Center, Series 2014D	2034	indexed rate	4,751	4,935
Children's Specialized Hospital, Series 2015	2029	2.7200	26,124	-
Hackensack University Med. Ctr., Ob. Grp., Series 2015A	2040	2.38	83,122	-
Samaritan Healthcare and Hospice, Series 2015	2040	2.6500	7,864	-
Meridian Health System Obligated Group, Series 2015A	2045	2.5000	129,639	-
Total private placements			836,805	897,522
Capital asset program				
Total Capital Asset Program, Series A, B, C, D	2035		100,000	100,000
Total bonds payable			\$ 6,168,070	\$ 6,235,097
Equipment revenue notes				
Christian Health Care Center, Series 2013	2018	2.16	\$ 826	\$ 1,164
Christian Health Care Center, Series 2013	2018	2.16	179	252
Total equipment revenue notes			1,005	1,416
Master Leases				
St. Barnabas Medical Center, Dated March 30, 2012	2017	2.55	828	1,430
St. Barnabas Medical Center, Dated March 30, 2012	2017	2.55	835	1,443
Monmouth Medical Center, Dated March 30, 2012	2017	2.55	1,013	1,801
St. Barnabas Medical Center, Dated March 30, 2012	2017	2.55	828	1,472
Clara Maass Medical Center, Dated March 30, 2012	2017	2.55	359	620
Community Medical Center, Dated March 30, 2012	2017	2.55	563	973
Kimball Medical Center, Dated March 30, 2012	2017	2.55	203	350
Newark Beth Israel Medical Center, Dated March 30, 2012	2017	2.55	686	1,185
Community Medical Center, Dated November 14, 2012	2017	1.81	669	1,010
Newark Beth Israel Medical Center, Dated November 14, 2012	2017	1.81	570	859
Clara Maass Medical Center, Dated November 14, 2012	2017	1.81	710	1,070
Newark Beth Israel Medical Center, Dated February 28, 2013	2018	1.59	366	531
Barnabas Health Inc., Dated August 15, 2013	2018	1.61	1,402	1,914
Clara Maass Medical Center, Dated August 15, 2013	2018	1.61	692	941
Newark Beth Israel Medical Center, Dated August 15, 2013	2018	1.61	924	1,262
Monmouth Medical Center, Dated November 20, 2013	2018	2.14	535	711
Monmouth Medical Center, Dated January 13, 2015	2020	1.53	2,508	-
St. Barnabas Medical Center, Dated April 17, 2015	2022	2.02	4,368	-
Total master leases			18,059	17,572
Total revenue bonds, equipment revenue notes and master leases			\$ 6,187,134	\$ 6,254,085

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

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

	Principal	Interest	Total
2016	\$ 184,036	\$ 246,540	\$ 430,576
2017	184,086	244,841	428,927
2018	190,410	237,382	427,792
2019	196,665	229,195	425,860
2020	205,452	220,411	425,863
2021-2025	1,184,468	953,241	2,137,709
2026-2030	1,236,672	672,113	1,908,785
2031-2035	1,354,557	411,144	1,765,701
2036-2040	982,133	182,816	1,164,949
2041-2045	444,935	44,055	488,990
2046-2050	23,720	1,188	24,908
	<u>\$ 6,187,134</u>	<u>\$ 3,442,926</u>	<u>\$ 9,630,060</u>

Several Authority bond issues are subject to periodic interest rate reset. Interest expense in future years, as reflected on the above schedule for variable rate bonds, is estimated based on rates in effect at or close to December 31, 2015.

L. COMPLIANCE WITH BOND PROVISIONS

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

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

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L. 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, 2015 and 2014, there were the following Events of Default of the Authority's bond issues:

- On March 9, 2009, St. Mary's Hospital in Passaic filed for protection under Chapter 11 of the U.S. Bankruptcy Code. On February 2, 2010, the bankruptcy court approved St. Mary's reorganization plan which went into effect on February 26, 2010. Under the plan, St. Mary's will pay annual debt service of \$2.2 million for 30 years, and the State of New Jersey will pay approximately \$1.5 million for 18 years subject to annual state appropriations. Subsequently, on August 15, 2014, St. Mary's Hospital was acquired by a subsidiary of Prime Healthcare Services. As a result of the sale, the Authority received \$15 million in exchange for canceling the mortgage and relieving St. Mary's of all other monetary obligations related to its loan agreement with the Authority and the bonds. The \$15 million was deposited into an escrow account consisting primarily of State and Local Government Securities and, after accounting for interest earnings thereon, \$1,584,312 will be used to pay towards interest on the St. Mary's bonds in equal payments of \$316,862 on each of the following interest payment dates: March 1, 2015, September 1, 2015, March 1, 2016, September 1, 2016 and March 1, 2017. The remaining balance of \$13,650,000 in the escrow fund will be used to call a proportional share of bonds on March 1, 2017 for each maturity as follows:

2018 - \$ 630,000	2023 - \$1,445,000
2019 - \$1,200,000	2024 - \$1,510,000
2020 - \$1,250,000	2025 - \$1,570,000
2021 - \$1,310,000	2026 - \$1,640,000
2022 - \$1,375,000	2027 - \$1,720,000

The remaining portion of debt service on the St. Mary's bonds (after accounting for the above defeasance) is to be paid by the Treasurer of the State of New Jersey, subject to appropriation by the Legislature, in accordance with a contract entered into by the Treasurer pursuant to the Hospital Asset Transformation Program.

- Since February 2013, St. Michael's Medical Center, which has tax-exempt bonds financed through the Authority, has been going through negotiations and regulatory processes to be sold to a for-profit entity for an amount less than the current outstanding bond debt. On August 10, 2015, St. Michael's Medical Center in Newark filed for protection under Chapter 11 of the US Bankruptcy Code. On November 12, 2015, the bankruptcy court approved the sale of St. Michael's to Prime Healthcare Services for \$62.2 million. The Certificate of Need was approved by the Commissioner of Health on March 7, 2016 and approved by a Superior Court Judge on April 7, 2016 after a review by the Attorney General's office pursuant to the Community Healthcare Assets Protection Act. The extent that all bonds are not redeemed, a contract between the State Treasurer and the Authority entered into under the provisions of the Hospital Asset Transformation Program, allows the State Treasurer to pay debt service on these bonds from the State's General Fund, subject to and dependent upon appropriations being made by the State Legislature for this purpose.

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L. COMPLIANCE WITH BOND PROVISIONS (CONTINUED)

- East Orange General Hospital signed an Asset Purchase Agreement with the for-profit system Prospect Medical Holdings in May 2014. The deal received the required regulatory approvals (Certificate of Need and Community Health Assets Protection Act) during 2015. However, after the approvals were received, there were delays in closing the transaction. These delays forced East Orange General Hospital to declare bankruptcy in November 2015 to ensure that the hospital would have sufficient resources to close on the transaction. The issues between East Orange General Hospital and the purchaser have been resolved and the sale closed on March 1, 2016.

M. DEFEASED ISSUES

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

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

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

A summary of outstanding balances as of December 31, 2015 and 2014, by issue, is as follows:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31,	
			2015	2014
('\$000)				
Defeased public issues				
The General Hospital Center at Passaic, Series 1994 (currently a part of AHS Hospital Corporation)	2019	6.00 - 6.75	\$ 20,760	\$ 25,160
Alegany Health-Our Lady of Lourdes, Series 1993 (currently a part of Catholic Health East)	2018	5.00 - 5.20	9,995	12,995
St. Clare's Hospital, Inc. Series 2004 A	2025	4.25 - 5.25	59,000	59,000
St. Clare's Hospital, Inc. Series 2004 B	2015	2.85 - 4.00	-	4,985
Greystone Park Psychiatric Hospital Project, Series 2005	2017	3.75 - 5.0	8,135	143,935
Chilton Memorial Hospital, Series 2009	2019	4.00 - 5.75	36,370	37,120
Hunterdon Medical Center, Series 2006A	2016	5.00 - 5.25	21,525	21,525
Hunterdon Medical Center, Series 2006B	2016	4.00 - 5.00	16,020	16,340
AtlanticCare Regional Medical Center, Series 2007	2017	4.125-5.00	102,500	-
Total defeased public issues			274,305	321,060
Partially defeased public issues				
Saint Barnabas Health Care System, Series 1998 B (currently Barnabas Health, Inc.)	2023	0.00	17,413	17,413
RWJ Health Care Corp. at Hamilton, Series 2005B	2015	4.0 - 5.0	-	4,045
Catholic Health East, Series 2010	2020	3.0 - 5.25	2,265	2,265
South Jersey Hospital, Series 2006	2016	5.00	1,800	1,800
St. Mary's Hospital, Passaic, Series 2007-1	2017	4.00 - 5.00	13,650	13,650
Total partially defeased public issues			35,128	39,173
Total defeased issues			\$ 309,433	\$ 360,233

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Authority, as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated DATE XX, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Hamilton, New Jersey

May 26, 2016