NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

ANNUAL FINANCIAL REPORT AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

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December 31, 2018

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, 2018 and 2017, 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 audits 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, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note F to the financial statements, in 2018 the Authority adopted new accounting guidance Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than 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 on pages 4 - 9 and the schedule of schedules of contributions of retiree health plan, the schedule of changes in net OPEB liability and related ratios, the schedule of proportionate share of net pension liability, and the schedule of contributions on pages 27 - 31, 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

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other supplementary information - trustee held funds section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The trustee held funds statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

INDEPENDENT AUDITORS' REPORT (CONTINUED)

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the trustee held funds statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated July 11, 2019, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.
Certified Public Accountants

July 11, 2019

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, 2018 and 2017. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

The Authority's total net position decreased $438,000 or 6.3%
Cash and cash equivalents increased $697,000 or 9.0%
Operating revenue decreased $136,000 or 3.5%
Operating expenses increased $2,013,000 or 85.0%
Operating income decreased $2,149,000 or 137.9%

Overview of the Financial Statements

This annual financial report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and 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 from December 31, 2018, 2017 and 2016:

	2018	2017	2016	Change 2018-2017	% Change
	($000)	($000)	($000)	($000)	(%)
Current assets	$ 10,993	$ 10,256	$ 13,836	$ 737	7.2%
Noncurrent assets	2,248	2,702	1,175	(454)	-16.8%
Total assets	13,241	12,958	15,011	283	2.2%
Deferred outflows of resources	1,218	1,762	2,085	(544)	-30.9%
Current liabilities	1,892	1,941	1,948	(49)	-2.5%
Long-term liabilities	4,297	4,391	6,498	(94)	-2.1%
Total liabilities	6,189	6,332	8,446	(143)	-2.3%
Deferred inflows of resources	1,780	1,460	547	320	21.9%
Total net position	$ 6,490	$ 6,928	$ 8,103	$ (438)	-6.3%

Current assets are comprised of cash and cash equivalents (operating account and Federally Qualified Health Centers ("FQHC") loan program), administrative fees and other receivables, notes receivable, notes interest receivable and prepaid expenses. Current assets increased 7.2% from December 31, 2017 to December 31, 2018. As of December 31, 2018, 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, 2018 and 2017

Financial Analysis of the Authority (Continued)

was 2.38% and 1.25%, respectively. Overall, the operating account cash and cash equivalents increased $133,000 while the FQHC loan program cash and cash equivalents increased $564,000.

The operating account cash and cash equivalents increased due to the collection of semi-annual fees, initial fees, per series fees, and an increase in the variable interest rate on NJCMF. The increase in the FQHC loan program cash and cash equivalents was due to the collection of principal and interest payments on two (2) loans in 2018. The FQHC loan program is further described in Note D to the financial statements.

Administrative fees and other receivables decreased overall by $16,000. The majority of the receivables consist of the Authority's semi-annual fee billings which had an overall decrease of $94,000. The semi-annual fee billings invoiced on December 31, 2018 and 2017, totaled $1,832,000 and $1,847,000, respectively, or a decrease of $15,000. There was one (1) new financing added to the Authority's portfolio, there were no refinancings in 2018. Other receivables for trustee fees and reimbursement due from the New Jersey Department of Health ("DOH") and the New Jersey Department of Human Services ("DHS") for services that the Authority provides to those departments. 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. Finally, the note receivables-designated FQHC loan program decreased $450,000 due to principal payment of Lakewood loans in 2018.

Prepaid expenses from December 31, 2017 to December 31, 2018 increased by $54,000 due to an increase in the amount of prepaid dues and subscriptions as well as employee benefits.

When comparing current assets as of December 31, 2016 to December 31, 2017, current assets decreased 25.9%. Overall, the operating account cash and cash equivalents increased $185,000 while the FQHC loan program cash and cash equivalents decreased $684,000. The decrease in the FQHC loan program cash and cash equivalents was due to the transfer of funds for Lakewood Resources and Referral closing, offset by the repayment of principal in 2017. Administrative fees and other receivables decreased overall by $46,000. The semi-annual fee billings invoiced on December 31, 2017 and 2016, totaled $1,847,000 and $1,822,000, respectively, or an increase of $25,000.

Financial Analysis of the Authority (Continued)

Prepaid expenses previously accounted for as the difference between the other postemployment benefits plan assets and the annual required contributions were required to be accounted for differently as a result of the implementation of the Governmental Accounting Standards Board ("GASB") Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than* Pensions. During the year ended December 31, 2018, the Authority adopted the provisions of GASB Statement 75 which required the removal of this previously recorded prepaid expense. For more information on the Authority's post-retirement health benefits refer to Note F to the financial statements.

Noncurrent assets represent the Authority's capital assets which include furniture, leasehold improvements, equipment and automobiles whose costs are in excess of $1,000, net of accumulated depreciation, and the portion of the two note receivables dated July 27, 2015 and November 16, 2017 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, 2018, decreased $454,000 when compared to December 31, 2017. The majority of the decrease is due to the principal payments of the two FQHC loans to Lakewood Resource and Referral Center, Inc. In addition, capital asset equipment and furniture were purchased in 2018 totaling $12,000. It should be noted that a majority of the Authority's capital assets have been fully depreciated.

Deferred outflows of resources represent amounts required under the GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than* Pensions and Statement 68, *Accounting and Financial Reporting for Pensions*.

Deferred outflows of resources at December 31, 2018 and 2017 totaled $1,218,000 and $1,762,000, respectively, which is a decrease of $544,000 or 30.9%.

Current liabilities in 2018 are comprised of accounts payable, accrued expenses, unearned revenue-annual fees and section 142(d) fees. When compared to December 31, 2017, current liabilities decreased $49,000 or 2.5%. Accounts payable and accrued expenses decreased $31,000 or 20.4%. Since there were no extraordinary fees to be accrued, there was a decrease in accounts payable and accrued expenses. The decrease in unearned revenue-142(d) fees is due to the amortization of the prepayment from a client for monitoring its compliance with the 142(d) IRS regulations.

The accrual for unused vacation and unused sick time decreased due to the retirement of one staff member. 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. The 2018 unearned revenue-annual fees decreased $12,000 or 0.7% compared to December 31, 2017. It represents the semi-annual fees billed on December 31, 2017 and 2016, which cover the periods January 1, 2018 to June 30, 2018, and January 1, 2017 to June 30, 2017, respectively. Unearned revenue-section 142(d) fees decreased $6,000 or 20.7% from 2017 to 2018 for the same reason as stated in the previous paragraph.

Financial Analysis of the Authority (Continued)

Deferred inflows of resources represent amounts required under the GASB Statement 68 and at December 31, 2018 and 2017 totaled $1,780,000 and $1,460,000, respectively, which is an increase of $320,000 or 21.9%.

Long-term liabilities represent the Authority's actuarially calculated net pension liability in accordance with the requirements of GASB Statement 75 and Statement 68. Long-term liabilities as of December 31, 2018 and 2017 totaled $4,297,000 and $4,391,000, respectively, which is a decrease of $94,000 or 2.1%.

Changes in Net Position – The following table presents the changes in net position for the years ended 2018, 2017 and 2016:

	2018	2017	2016	Change 2018-2017	% Change
	($000)	($000)	($000)	($000)	(%)
Operating revenues					
Administrative fees					
Annual fees	$ 3,623	$ 3,717	$ 3,838	$ (94)	-2.5%
Initial fees	30	71	143	(41)	-57.7%
Per series/per master lease fees	10	70	75	(60)	-85.7%
Mortgage servicing and Section 142 (d) fees	17	24	24	(7)	0.0%
Note Interest Income Designated FQHC loan program	109	43	40	66	153.5%
Total operating revenues	3,789	3,925	4,120	(136)	-3.5%
Operating expenses					
Salaries and related expenses	2,681	1,378	2,561	1,303	94.6%
General and administrative	526	540	569	(14)	-2.6%
Professional fees and other	910	75	564	835	1113.3%
Provision for postemployment benefits	247	358	162	(111)	-31.0%
Depreciation expense	16	16	-	-	-100.0%
Total operating expenses	4,380	2,367	3,856	2,013	85.0%
Operating income (loss)	(591)	1,558	264	(2,149)	-137.9%
Nonoperating revenues/(expenses)					
Interest income from investments	153	78	34	75	96.2%
Other income	-	-	3	-	100.0%
Gain on disposal of asset	-	-	6	-	0.0%
Total nonoperating revenues	153	78	43	75	96.2%
Change in net position	(438)	1,636	307	(2,074)	-126.8%
Net position, beginning of year	6,928	8,103	7,796	(1,175)	-14.5%
Cumulative change in accounting principle	-	(2,811)	-	2,811	0.0%
Net position, beginning of year, restated	6,928	5,292	7,796	1,636	30.9%
Net position, end of year	$ 6,490	$ 6,928	$ 8,103	$ (438)	-6.3%

Financial Analysis of the Authority (Continued)

The Authority's net position decreased $438,000 or 6.3% from December 31, 2017 to December 31, 2018.

The Authority's net position decreased $1,175,000 or 14.5% from December 31, 2016 to December 31, 2017 mainly due to the implementation of GASB Statement 75.

Operating revenues - During 2018, total operating revenues decreased $136,000, or 3.5% compared to 2017. Annual fees and initial fees, decreased $94,000 and $41,000, respectively, while per series/per master lease fees, decreased $60,000 compared to 2017. Annual Fees decreased due to the recognition of unearned revenue from the December 31, 2017 and June 30, 2018 semi-annual fee billings which were lower than those billed in the previous year. Regarding the decrease in initial fees and per series/per master lease fees, the collection of those fees can fluctuate from year to year depending on Authority financing activity, the financing needs of the health care institutions, the actual/estimated bond size and the current economic climate. During 2018, one (1) per series fees was received in the amount of $10,000, and $30,077 in initial fees were received. The decrease was due to only one financing in 2018.

In 2017, six (6) initial fees based on a total estimated bond size of $1,105,000,000, seven (7) per series fees, one (1) FQHC initial fee and one (1) FQHC closing fee were received.

By comparison in 2016, six (6) initial fees were received based on a total estimated bond size of $1,639,000,000, ten (10) per series fees were received, two (2) per master lease fees were received and one (1) master lease initial fee were received.

Interest received in 2018 was $153,000 compared to $78,000 in 2017 and $34,000 received in 2016. This increase is a function of the variable interest rate on the NJCMF.

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 July 27, 2015 and November 16, 2017, as further described in Note D to the financial statements. In 2018, the interest earned on the FQHC loans was $109,000, compared to $43,000 in 2017 and $40,000 in 2016. The $66,000 increase between 2017 and 2018 is due to the addition of the November 2017 loan and the increase in the variable rate charged for the loans.

Operating expenses – During 2018, operating expenses increased $2,013,000 or 85.0% when compared to 2017. The majority of the increase in operating expenses is in the category of Salaries and related expenses due to the changes in the net pension liability and the net other postemployment benefits liability (asset). There is also an increase in the category of Professional fees due to a payment for a consultant to study and assess New Jersey's state-run psychiatric hospitals. The provision for postemployment benefits decreased due to the actuarial valuation completed for the year 2018 and the Authority's current policy of maintaining full funding of the Irrevocable Trust to Provide for the Payment of Its Other Post-Employment Benefits (the "Trust").

Financial Analysis of the Authority (Continued)

When comparing operating expenses during 2017 to 2016, there was a decrease of $1,489,000 or 38.6%. The majority of the decrease in operating expenses is in the category of Salaries and related expenses due to the restatement of the 2017 financial statements for the adoption of GASB Statement 75. In addition, the Provision for postemployment benefits decreased due to the actuarial valuation completed for the years 2016 and 2017 and the Authority's current policy of maintaining full funding of the Trust.

Nonoperating revenues/(expenses) – Interest income in 2018 and 2017 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCMF. During 2018, nonoperating revenues increased $75,000 or 96.2% due to the increase in the interest rate in the NJCMF from an average 0.88% in 2017 to an average of 1.86% in 2018. There were no miscellaneous income items or gain on disposal of assets items in 2018 or 2017.

Interest income in 2017 and 2016 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCFM which totaled $78,000 in 2017 and $34,000 in 2016. The average yield on the NJCMF for 2017 and 2016 was 0.88% and 0.42%, respectively.

Contacting the Authority's Financial Management

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

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018 ($000)	2017 ($000)
Assets		
Current assets		
Cash and cash equivalents	$ 7,800	$ 7,667
Cash and cash equivalents - designated FQHC loan program	639	75
Administrative fees and other receivables	1,937	1,953
Notes receivable - designated FQHC loan program	450	450
Notes interest receivable - designated FQHC loan program	10	8
Prepaid expenses	157	103
Total current assets	10,993	10,256
Noncurrent assets		
Notes receivable - designated FQHC loan program	2,229	2,679
Capital assets	685	673
Less accumulated depreciation	(666)	(650)
Total noncurrent assets	2,248	2,702
Total assets	13,241	12,958
Deferred outflows of resources - related to pensions	943	1,446
Deferred outflows of resources - related to other postemployment benefits	275	316
Total deferred outflows	1,218	1,762
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 121	$ 152
Unearned revenue - annual fees	1,748	1,760
Unearned revenue - 142(d) fees	23	29
Total current liabilities	1,892	1,941
Long-term liabilities		
Net pension liability	4,269	5,094
Net other postemployment benefits liability (asset)	28	(703)
Total long-term liabilities	4,297	4,391
Total liabilities	6,189	6,332
Deferred inflows of resources - related to pensions	1,780	1,460
Net position		
Net invested in capital assets	19	23
Unrestricted		
Unassigned	3,143	3,693
Committed - FQHC loan program	3,328	3,212
Total net position	$ 6,490	$ 6,928

See accompanying notes to financial statements.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
	($000)	($000)
Operating revenues		
Administrative fees		
Annual fees	$3,623	$3,717
Initial fees	30	71
Per series/per master lease fees	10	70
Section 142 (d) fees	17	24
Note interest income - designated FQHC loan program	109	43
Total operating revenues	3,789	3,925
Operating expenses		
Salaries and related expenses	2,681	1,378
General and administrative expenses	526	540
Professional fees	910	75
Provision for postemployment benefits	247	358
Depreciation expense	16	16
Total operating expenses	4,380	2,367
Operating (loss) income	(591)	1,558
Nonoperating revenues		
Interest income from investments	153	78
Total nonoperating revenues	153	78
Changes in net position	(438)	1,636
Net position, beginning of year	6,928	8,103
Cumulative change in accounting principle	-	(2,811)
Net position, beginning of year, as Restated	6,928	5,292
Net position, end of year	$ 6,490	$ 6,928

See accompanying notes to financial statements.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018 ($000)	2017 ($000)
Cash flows from operating activities		
Cash received from customers	$ 3,676	$ 3,839
Cash payment to suppliers and employees	(3,679)	(2,764)
Net cash from operating activities	(3)	1,075
Cash flows from capital and related financing activities		
Acquisition of capital assets	(12)	(9)
Net cash from capital and related financing activities	(12)	(9)
Cash flows from noncapital financing activities		
Note issued to client institution - designated FQHC loan program	-	(2,000)
Note repayments from client institution - designated FQHC loan program	450	314
Interest received on note - designated FQHC loan program	109	43
Other income	-	-
Net cash from noncapital financing activities	559	(1,643)
Cash flows from investing activities		
Investment income	153	78
Net cash from investing activities	153	78
Net change in cash and cash equivalents	697	(499)
Cash and cash equivalents, beginning of year	7,742	8,241
Cash and cash equivalents, end of year	$ 8,439	$ 7,742
Operating income	$ (591)	$ 1,558
Adjustments		
Depreciation	16	16
Net pension expense	770	(428)
Note interest income - designated FQHC loan program	(109)	(43)
Deferred income	-	5
Changes in assets and liabilities		
Administrative fees and other receivables	16	(46)
Note interest receivable- designated FQHC loan program	(2)	-
Prepaid expenses	(54)	20
Accounts payable and accrued expenses	(31)	(16)
Unearned revenue	(18)	9
Net cash from operating activities	$ (3)	$ 1,075

See accompanying notes to financial statements.

A. ORGANIZATION

The New Jersey Health Care Facilities Financing Authority (the "Authority") is a public body corporate and politic, a political subdivision of the State of New Jersey (the "State"), and a public instrumentality organized and existing under and by virtue of the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c.29, N.J.S.A. 26:21:1, *et seq.* (the "Act"). The Authority is empowered to provide financing for health care organizations located in the State. 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.

A. ORGANIZATION (CONTINUED)

With regard 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 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 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, 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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (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:

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

Cash and Cash Equivalents

The Authority classifies all highly-liquid investments with an original maturity of ninety days or less 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").

The components of cash and cash equivalents at December 31, 2018 and 2017, are:

	2018	2017
Operating checking account	$ 5	$ 14
NJCMF	7,795	7,653
NJCMF - designated FQHC loan program	639	75
Total cash and cash equivalents	$ 8,439	$ 7,742

C. CASH AND CASH EQUIVALENTS

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.

(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.

C. CASH AND CASH EQUIVALENTS (CONTINUED)

At December 31, 2018 and December 31, 2017, the Authority's bank balance of $5,000 and $14,000, respectively, was not exposed to custodial credit risk since the full amount was covered by FDIC insurance. The NJCMF balance of $8,434,000 and $7,728,000 at December 31, 2018 and December 31, 2017, 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, 2018 and 2017.

(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.

(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 July 27, 2015, due July 1, 2022, and Lakewood Resource and Referral Center, Inc. loan dated November 16, 2017, due November 1, 2027.

Year Ending December 31,	Principal	Estimated Interest	Total
2019	$ 450,000	$ 74,687	$ 524,687
2020	450,000	61,187	511,187
2021	450,000	47,687	497,687
2022	345,833	33,250	379,083
2023	200,000	27,250	227,250
2024	200,000	21,250	221,250
2025	200,000	15,250	215,250
2026	200,000	9,250	209,250
2027	183,334	3,208	186,542
Total	$ 2,679,167	$ 293,019	$ 2,972,186

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. PERS 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.

The Authority's total and covered payroll for the years ended December 31, 2018, 2017, 2016 and 2015 was $1,470,782, $1,517,320, $1,549,905 and $1,644,881, respectively. Contributions to the PERS from the Authority for the years ended December 31, 2018, 2017, 2016 and 2015 were $207,804, $196,999, $217,490 and $203,167, 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 7.50%, July 1, 2018: 7.34%, July 1, 2017; 7.20%, July 1, 2016; 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.

E. PENSION PLAN (CONTINUED)

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

At December 31, 2018 and 2017, the Authority reported a liability of $4,269,378 and $5,094,097, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, which was rolled forward to June 30, 2018, 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, actuarially determined. At June 30, 2018 and 2017, the Authority’s proportion was .0002% and .0219%, respectively. For the years ended December 31, 2018 and 2017, the Authority recognized pension expense associated with the pension plan of $212,326 and $351,086, respectively. The Authority reported deferred outflows and inflows of resources as follows:

	2018		2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual	$ 81,418	$ 22,014	$ 119,948	$ -
Changes in assumptions	703,523	1,365,120	1,026,285	1,022,523
Net difference between projected and actual earnings on pension plan investments	-	40,047	34,687	-
Changes in proportion	158,276	352,669	263,919	437,586
	$ 943,217	$ 1,779,850	$ 1,444,839	$ 1,460,109

Actuarial Assumptions

The total pension liability for the June 30, 2018 and 2017, measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Inflation	2.25%	2.25%
Salary increases	1.65% - 4.15% based on age	1.65% - 4.15% based on age
Investment rate of return	7.00%	7.00%

E. PENSION PLAN (CONTINUED)

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables, with adjustments for mortality improvements from the base year 2013 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

In accordance with State statute, the long term expected real 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, 2018, are summarized in the following table:

2018

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

2017

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

E. PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. The single blended discount rate was based on the long term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, 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 projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

F. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Authority sponsors and administers a single employer defined benefit health care plan (the "Plan") that provides post-employment 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 noncontributory plan with all payments for Plan benefits being funded by the Authority.

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

At January 1, 2018, the following employees were covered by the benefit terms:

Membership Status as of January 1, 2018	Count
Inactive plan members or beneficiaries currently receiving benefits	18
Active plan members	22
Total	40

At December 31, 2018 and 2017, funds in the Trust totaled $6,445,223 and $6,421,327, respectively. The covered payroll (annual payroll of active employees covered by the Plan) was $1,470,782 and $1,517,320 for the years ended December 31, 2018 and 2017, respectively.

The net OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary Increases	1.65% - 4.15% based on age, average assumed annual rates of salary increase
Investment Rate of Return	4.00 percent per annum, net of investment expenses and including inflation
Health Cost Trend Rates	8.00 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2024 and later years

For the ordinary death component of active mortality, RP-2000 Employee (pre-retirement) Mortality Table set-back 2 years for males and 7 years for females and projected on a generational basis using the Buck Modified MP-2014 scale with base year 2013.

For inactive mortality, the base mortality table is the RP-2000 Combined Mortality Table with a 1-year static projection using scale AA and a setback 1 year for males and 1 year for females. This base mortality table is then projected on a generational basis using the Buck Modified MP-2014 scale with base year 2013.

For disabled life mortality, the RP-2000 disability mortality table setback 3 years for males and set forward 1 year for females was used. No projection was used on the disabled life mortality.

All mortality tables used are based on assumptions proposed in the latest NJ PERS experience study dated August 7, 2015.

F. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 2, 2013 through January 1, 2016.

The discount rate was 4.00% as of January 1, 2016 in the prior valuation. For this valuation, we used discount rates of 3.86% as of December 31, 2016 and 3.55% as of December 31, 2017. The discount rates are the single equivalent rates which results in the same present value as discounting future benefit payments made from assets at the long term expected rate of return of 4.00% and discounting future benefit payments funded on a pay-as-you-go basis on the municipal bond 20-year index rate. The yield to maturity on the S&P Municipal Bond 20-Year High Grade Rate Index was 3.71% and 3.16% as of December 30, 2016 and December 29, 2017, respectively.

Change in Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Net OPEB liability at beginning of year	$ 5,888,709	$ 6,592,023	$ (703,314)
Service cost	232,994	-	232,994
Interest	232,532	-	232,532
Changes of assumptions or other inputs	316,060	-	316,060
Net investment income	-	50,660	(50,660)
Benefit payments	(196,960)	(196,960)	-
Administrative expense	-	(500)	500
Net changes	584,626	(146,800)	731,426
Net OPEB liability at end of year	$ 6,473,335	$ 6,445,223	$ 28,112

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.55 percent) or 1-percentage- point higher (4.55 percent) than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate	1% Decrease 2.55%	Current Discount Rate 3.55%	1% Increase 4.55%
Net OPEB liability as of December 31, 2018	$ 1,217,672	$ 28,112	$ (916,866)

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability as of December 31, 2018	$ (1,001,720)	$ 28,112	$ 1,357,336

The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees until 2048. After that time, benefit payments will be funded on a pay-as-you go basis. The discount rates are the single equivalent rates which results in the same present value as discounting future benefit payments made from assets at the long term expected rate of return and discounting future benefit payments funded on a pay-as-you-go basis on the municipal bond 20-year index rate.

F. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Following are the details of the recognized and deferred inflows and outflows of resources.

Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources as of January 1, 2018	
Changes in assumptions/ other inputs	$ 316,059
Total Deferred Outflows as of January 1, 2018	316,059
Deferred Inflows of Resources as of January 1, 2018	$ -

Deferred Outflows

Year Established	Description	Initial Amount	Outstanding Balance as of 12/31/2018	Annual Amortization Amount	Years Remaining @ 12/31/2018
2018	Assumption/ Other	$ 316,059	$ 274,852	$ 41,207	6.67

Deferred Inflows

Year Established	Description	Initial Amount	Outstanding Balance as of 12/31/2018	Annual Amortization Amount	Years Remaining @ 12/31/2018
2018	None	$ -	$ -	$ -	6.67

The average of the expected remaining service lives of all employees that are provided with benefits through the plan (active and inactive employees) as of December 31, 2017 (determined at the beginning of the measurement period) is 7.67 years.

Future Years' Recognition of Deferred Outflows/Inflows

Fiscal Year	FYE 18 Assumption Change	Total
2019	$ 41,207	$ 41,207
2020	41,207	41,207
2021	41,207	41,207
2022	41,207	41,207
2023	41,207	41,207
2024	41,207	41,207
2025	27,610	27,610

G. PRIOR PERIOD ADJUSTMENT

The Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* during 2018. The cumulative effect of applying GASB No. 75 has resulted in a decrease to the net position at January 1, 2017 as follows:

	($000)
Net Position at January 1, 2017	$ 8,103
Deferred outflows of resources - change in assumptions/other inputs	357
Other post-employment benefits	(3,168)
Net Position at January 1, 2017, as Restated	$ 5,292

H. COMMITMENTS

The Authority has an operating lease commitment for its offices at an annual rental of approximately $286,000 from September 24, 2016 to September 23, 2021.

I. RELATED-PARTY TRANSACTIONS

Operating expenses for the years ended December 31, 2018 and 2017, include approximately $292,248 and $234,348, respectively, relating to payment for goods and services provided by various State agencies.

J. 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, 2018 and 2017, the Authority issued $23,000,000 and $1,200,700,000, respectively, in conduit debt. The amount of conduit debt outstanding at December 31, 2018 and 2017, totaled $5,709,670,000 and $5,943,414,000, respectively. Total assets for the trustee held funds relating to the conduit debt were $5,826,570,000 and $6,069,792,000, for the years ended December 31, 2018 and 2017, respectively. Total liabilities and net position for the trustee held funds relating to the conduit debt were $5,826,570,000 and $6,069,792,000 as of December 31, 2018 and 2017, respectively.

Regarding the Master Leasing Program, during the years ended December 31, 2018 and 2017, leases entered into totaled $0 and $0, respectively. The amount of lease payments outstanding at December 31, 2018 and 2017, totaled $17,885,000 and $25,757,000, respectively.

J. RISK MANAGEMENT

The Authority maintains a Not-For-Profit Protector Individual and Organization Insurance Policy (Directors and Officers Liability) that provides protection to the Authority's past, present and future members, committee members, officers and staff for official actions that may have been taken while carrying out their normal duties on behalf of the Authority. The Authority's policy which covers the period December 18, 2018 through December 18, 2019, has a $20 million liability limit with a retention level of $175,000 at a premium cost of $70,923.

REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULES OF CONTRIBUTIONS OF RETIREE HEALTH PLAN

Schedule of Contributions

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
					($000)					
Actuarially determined contribution	$ 28	$ 358	$ 564	$ 307	$ 294	$ 280	$ 268	$ 255	$ 297	$ 413
Contribution in relation to the actuarially determined contribution	(28)	(358)	(564)	(307)	(294)	(280)	(268)	(255)	(297)	(413)
contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	1,471	1,517	1,550	1,645	1,714	1,705	1,714	1,720	1,734	1,764
Contributions as a percentage of covered employee payroll	1.91%	23.60%	36.39%	18.66%	17.15%	16.42%	15.64%	14.83%	17.13%	23.41%

Notes to Schedule

Valuation Date	Mortality
Measurement Date	January 1, 2018 for Fiscal Year End December 31, 2018 reporting.
Actuarial Cost Method	Entry Age Normal, level percent of pay. Service Costs are attributed through all assumed ages of exit from active service.
Asset Valuation	Market values.
Miscellaneous	The valuation was prepared on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

Schedule of Changes in Net OPEB Liability and Related Ratios

	2018
Total OPEB Liability	
Service cost	$ 232,994
Interest	232,532
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	316,060
Contributions- NJHCFFA	-
Benefit payments	(196,960)
Net change in total OPEB liability	584,626
Total OPEB liability-beginning	5,888,709
Total OPEB liability-ending	6,473,335
Plan Fiduciary Net Position	
Contributions- NJHCFFA	-
Net investment income	50,660
Benefit payments	(196,960)
Administrative expense	(500)
Net Change in plan fiduciary net position	(146,800)
Plan fiduciary net position-beginning	6,592,023
Plan fiduciary net position-ending	6,445,223
Net OPEB Liability-ending	28,112
Plan fiduciary net position as a percentage of the total OPEB liability	0.43%
Covered employee payroll	1,470,782
OPEB Liability as a percentage of covered-employee payroll	1.91%

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

	2018	2017
Proportion of Net Pension Liability	0.0002168352%	0.0218833644%
Proportionate Share of Net Pension Liability	$ 4,269,378	$ 5,094,097
Covered-Employee Payroll	1,470,782	1,517,320
Proportionate Share of Net Pension Liability as a Percentage of Payroll	290.28%	335.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

SCHEDULES OF CONTRIBUTIONS

	2018	2017
Contractually Required Contribution	$ 207,805	$ 196,999
Contribution in Relation to the Contractually Required Contribution	207,805	196,999
	$ -	$ -
Covered-Employee Payroll	$ 1,470,782	$ 1,517,320
Contributions as a Percentage of Covered-Employee Payroll	14.13%	12.98%

OTHER SUPPLEMENTARY INFORMATION –
TRUSTEE HELD FUNDS

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATEMENTS OF NET POSITION FOR TRUSTEE HELD FUNDS
DECEMBER 31, 2018 AND 2017

	2018	2017
	($000)	($000)
Assets		
Mortgages and loans receivable, net	$ 4,850,863	$ 4,760,511
Capital asset program notes receivable, net	3,639	9,259
Equipment revenue notes receivable, net	-	40
Lease receivable	236,390	246,935
State contract bonds receivable	170,475	301,545
Construction/program accounts		
Cash and cash equivalents	328,638	500,923
Investments	597	651
Prepaid expenses	10	10
Debt service accounts		
Cash and cash equivalents	134,456	144,140
Investments	2,409	2,074
Receivable from master trustee/institution	5,731	4,148
Debt service reserve accounts		
Cash and cash equivalents	40,868	29,287
Investments	34,609	44,512
Master lease funds		
Cash and cash equivalents	-	8,657
Lease payments receivable, net	17,885	17,100
Total assets	$ 5,826,570	$ 6,069,792
Liabilities and net position		
Bonds payable	$ 5,709,670	$ 5,943,414
Revenue notes payable	-	40
Cash & Cash Equivalents - Bank Error	-	26
Accrued interest payable	98,424	99,990
Accrued expenses	119	67
Master lease payable	17,885	25,757
Capital Asset Program net position	472	498
Total liabilities and net position	$ 5,826,570	$ 6,069,792

See notes to supplementary information.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

STATEMENTS OF CASH FLOWS FOR TRUSTEE HELD FUNDS
YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
	($000)	($000)
Cash flows from operating activities		
Payments received from institutions under agreements	$ 362,266	$ 394,221
Equity contributions from institutions	579	701
Disbursements for construction/acquisition and issuance expense	(206,705)	(385,685)
Other disbursements	148,668	(28,301)
Net cash from operating activities	304,808	(19,064)
Cash flows from noncapital financing activities		
Face amount of revenue bonds	23,000	1,200,700
Additions at time of sale, net	-	104,767
Accrued interest to date of delivery	(126)	(647)
Refunding of pre-existing debt/escrows fund deposit	126	(782,846)
Net proceeds from sale of revenue bonds	23,000	521,974
Principal/premium paid on revenue bonds	(247,374)	(165,181)
Interest paid on revenue bonds	(269,747)	(216,918)
Net cash from noncapital financing activities	(494,121)	139,875
Cash flows from capital financing activities		
Lease escrow deposit		-
Disbursements for equipment	(8,328)	(19,138)
Payments received from institutions	8,267	
under lease/sublease agreements	(7,872)	10,711
Principal/premium paid on master lease	(395)	(10,464)
Interest paid on master lease		(555)
Net cash from capital financing activities	(8,328)	(19,446)
Cash flows from investing activities		
Net investment in securities	9,777	1,257
Interest on investments	8,818	3,157
Net cash from investing activities	18,595	4,414
Net increase (decrease) in cash and cash equivalents	(179,046)	105,778
Cash and cash equivalents, beginning of year	683,008	577,229
Cash and cash equivalents, end of year	$ 503,962	$ 683,007

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 (the “State”) 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.

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 accounts 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 and B. The Program was designed to issue loans to certain eligible borrowers for capital asset needs. These bonds were initially issued without designated borrowers. Under the Capital Asset Program, the Authority was required to establish a Debt Service Reserve Fund which may be used to pay debt service if pledged revenues are insufficient.

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

C. MORTGAGES AND LOANS RECEIVABLE

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

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

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

As of December 31, 2018 and 2017, mortgages and loans receivable were:

	2018 ($000)	2017 ($000)
Mortgages		
CentraState Assisted Living, Inc.	$ -	$ 3,901
Total mortgages receivable	$ -	$ 3,901
Loans		
Secured by pledge of collateral with trustees:		
Christian Health Care Center	$ 4,995	$ 5,285
Bartley Assisted Living, LLC	3,953	4,166
JFK Assisted Living	5,725	6,495
Meridian Hospitals Corporation (currently Hackensack Meridian Health)	13,360	13,805
Wiley Mission Project	8,495	9,315
The Matheny School and Hospital	1,000	1,200
Virtua Health, Inc.	48,725	50,445
MHAC I, LLC (currently Hackensack Meridian Health)	23,375	24,485
Southern Ocean County Hospital (currently Hackensack Meridian Health)	14,625	15,010
St. Ann's Home for the Aged	10,236	10,483
Bridgeway Assisted Living	3,806	4,042
Samaritan Healthcare and Hospice	7,379	7,624
University Hospital	254,975	254,975
RWJ Barnabas (REISSUE)	13,013	13,473
Village Drive Health Care	23,000	-

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

	2018 ($000)	2017 ($000)
Loans (Continued)		
Secured by pledge of gross receipts under Master Trust Indenture:		
Hackensack Medical Center		
(currently Hackensack Meridian Health)	75,417	78,047
Saint Peter's Medical Center		
(currently Saint Peter's University Hospital)	139,050	144,080
Hunterdon Medical Center	64,538	66,039
Shore Memorial Health Care System	53,725	57,734
St. Joseph's Hospital and Medical Center Obligated Group	238,040	241,740
AHS Hospital Corporation	394,850	405,410
Christian Health Care Center	14,920	16,015
CentraState Medical Center Obligated Group	69,655	72,860
Virtua Health, Inc.	546,845	556,520
Catholic Health East	86,520	92,210
Meridian Health System Obligated Group		
(currently Hackensack Meridian Health)	439,639	460,222
RWJ Health Care Corporation at Hamilton, Obligated Group		
(currently RWJ Barnabas Health, Inc.)	17,550	18,710
Trinitas Hospital Obligated Group	84,575	89,640
The House of the Good Shepherd	10,940	11,640
Princeton Healthcare System	263,670	268,440
Holy Name Medical Center	83,540	88,615
Robert Wood Johnson Hospital		
(currently RWJ Barnabas Health, Inc.)	190,480	192,420
Barnabas Health, Inc.		
(currently RWJ Barnabas Health, Inc.)	240,985	248,630
St. Luke's Warren Hospital Obligated Group	37,410	37,410
Deborah Heart and Lung Center Obligated Group	7,964	9,739
Inspira Health Obligated Group	487,900	496,185
RWJ Barnabas Health Obligated Group	679,135	679,135
Hackensack Meridian Health	588,790	588,790
Total loans receivable	5,252,800	5,341,034
Total mortgages and loans receivable	5,252,800	5,344,935
Less cash and investments held by trustees	401,937	584,424
Mortgages and loans receivable, net	$ 4,850,863	$ 4,760,511

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 and B in 2035.

As of December 31, 2018 and 2017, Capital Asset Program notes receivable were:

	2018 ($000)	2017 ($000)
P.G. Chambers School		
(formerly Children's Center for Therapy and Learning, Inc.)	$ 101	$ 236
CentraState Medical Center	2,000	3,000
Englewood Hospital	1,538	5,237
Chilton Hospital	-	786
Total Capital Asset Program notes receivable	$ 3,639	$ 9,259

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.

	2018 ($000)	2017 ($000)
Christian Health Care Center	$ -	$ 40
Total equipment revenue notes receivable	-	40
Less cash and investment held by trustee	-	-
Equipment revenue notes receivable, net	$ -	$ 40

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 monies 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.

	2018	2017
Greystone Park Psychiatric Hospital	$ 170,860	$ 180,235
Marlboro Psychiatric Hospital	65,530	66,700
Total Lease Receivable	$ 236,390	$ 246,935

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 Transformation Act. The Authority, subject to the prior written approval of the State Treasurer, may issue bonds in order to satisfy the outstanding bonded indebtedness of any nonprofit hospital for the purposes outlined in the Transformation Act. To secure such bonds, the State Treasurer and the Authority are permitted to enter into one or more contracts providing for the payment by the State Treasurer to the Authority in each 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. The remaining outstanding debt related to the Transformation Act bonds issued on behalf of St. Mary's Hospital and St. Michael's Medical Center in 2007 and 2008, respectively, has been refunded by State Contract Refunding Bonds in 2017, the principal and interest on which will be paid by the State Treasurer, subject to appropriation by the State Legislature, in accordance with a new State Contract issued pursuant to the Transformation Act. See note K for more detail. Transformation Act bonds issued on behalf of Community Medical Center (d/b/a Solaris Health System) in 2009 have been redeemed in full through a 2018 refunding by Hackensack Meridian Health, on its own credit, which acquired JFK Health System (f/k/a Solaris Health System) on January 1, 2018. Therefore, the bonds are no longer subject to a State Contract pursuant to the Transformation Act.

At December 31, 2018 and 2017, State contract bonds receivable were as follows:

	2018 ($000)	2017 ($000)
St. Mary's Hospital	$ -	$ 1,055
Solaris Health System	-	130,015
State Contract Refunding Bonds (HATP)	170,475	170,475
Total State contract bonds receivable	$ 170,475	$ 301,545

H. MASTER LEASE RECEIVABLE

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

At December 31, 2018 and 2017, Master Lease receivables were as follows:

	2018 ($000)	2017 ($000)
St. Barnabas Medical Center	$ 2,953	$ 3,897
Monmouth Medical Center	681	1,471
Clara Maass Medical Center	-	175
Newark Beth Israel Medical Center	-	264
Barnabas Corporation d/b/a Barnabas Health	-	356
Englewood Hospital & Medical Center	14,251	19,594
Total Master Lease receivable	17,885	25,757
Less cash and investments held by trustee	-	8,657
Net Master Lease receivable	$ 17,885	$ 17,100

I. CASH AND CASH EQUIVALENTS AND INVESTMENTS

	2018 ($000)	2017 ($000)
Cash and cash equivalents		
Money Market Funds (which includes New Jersey Cash Management Fund)	$ 503,962	$ 683,007
Investments		
Investment agreements collateralized	5,614	5,762
U.S. Treasury and Agency obligations	31,998	41,475
Total cash and cash equivalents and investments	$ 541,574	$ 730,244

The components of cash and cash equivalents and investments at December 31, 2018 and 2017, are as follows:

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

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

Investments of trustee held funds are generally made in accordance with the Authority's General Bond Resolution, subject to modifications in the applicable Series Resolutions or in accordance with individual Bond Trust Agreements. 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.

J. 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 or any other political subdivision, or a pledge of the faith and credit of the State 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 Note G.

The security for the master lease is described in Note H 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.

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, 2018	Amount Outstanding December 31, 2017
Revenue bonds			($000)	($000)
Public issues				
Christian Health Care Center, Series 1997 B	2028	Weekly variable rate	$ 5,200	$ 5,600
*Christian Health Care Center, Series 1998 A-3	2018	Weekly variable rate	-	100
RWJ Health Corporation at Hamilton, Series 2002	2032	Weekly variable rate	17,550	18,710
Meridian Health System Obligated Group, Series 2003 A	2033	Weekly variable rate	60,000	60,000
The Matheny School and Hospital Inc., Series 2003 A-2	2023	Weekly variable rate	1,000	1,200
*Virtua Health Inc., Series 2003 A-7	2018	Weekly variable rate	-	900
Meridian Nursing and Rehab, Series 2004 A-3	2035	Weekly variable rate	9,860	10,305
Virtua Health, Series 2004	2033	Weekly variable rate	48,725	49,545
Christian Health Care Center, Series 2005 A-2	2035	Weekly variable rate	4,995	5,185
Southern Ocean County Hospital, Series 2006	2036	Weekly variable rate	14,625	15,010

(*Denotes defeased or paid off)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2018	Amount Outstanding December 31, 2017
Revenue bonds			($000)	($000)
Public issues (continued)				
Meridian Nursing and Rehabilitation, Series 2006 A-3	2031	Weekly variable rate	3,500	3,500
MHAC I, LLC, Series 2006 A-4	2027	Weekly variable rate	12,460	13,570
MHAC I, LLC, Series 2006 A-5	2036	Weekly variable rate	10,915	10,915
St. Mary's Hospital, Passaic, New Jersey, Series 2007-2	2018	5.265	-	1,055
Catholic Health East Health System, Series 2007 E	2033	Indexed rate	1,310	1,325
Saint Peter's University Hospital Obligated Group, Series 2007	2037	5.25 - 5.75	60,265	61,235
AHS Hospital Corp., Series 2008 A	2023	3.50 - 5.125	4,465	4,875
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
Christian Health Care Center, Series 2009	2038	Weekly variable rate	9,720	10,415
Virtua Health, Series 2009 A	2038	4.375 - 6.00	230,115	230,115
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	-	130,015
Catholic Health East, Series 2010	2033	2.00 - 5.25	85,210	90,885
Holy Name Medical Center, Series 2010	2025	3.00 - 5.00	32,840	36,065
AHS Hospital Corporation, Series 2011	2041	4.00 - 6.00	2,220	3,570
Saint Peter's University Hospital Obligated Group, Series 2011	2035	5.00 - 6.25	78,785	82,845

(*Denotes defeased or paid off)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2018	Amount Outstanding December 31, 2017
Revenue bonds			($000)	($000)
Public issues (continued)				
Barnabas Health, Series 2011 B	2038	Weekly variable rate	20,810	24,510
Meridian Health System, Series 2011	2027	2.00 - 5.00	114,270	127,800
Barnabas Health, Series 2012 A	2026	2.00 - 5.00	90,250	94,195
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	120,130	129,505
Marlboro Psychiatric Hospital Project, Series 2013	2033	3.00 - 5.00	65,530	66,700
Meridian Health System Obligated Group, Series 2013A	2032	4.00 - 5.00	22,865	23,585
St. Luke's Warren Hospital Obligated Group, Series 2013	2043	4.00 - 5.00	37,410	37,410
Robert Wood Johnson University Hospital, Series 2013A	2043	3.00 - 5.50	104,555	106,495
Virtua Health, Series 2013	2029	3.00 - 5.00	131,730	139,555
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	254,975
Princeton Healthcare System, Series 2016A	2034	2.00 - 5.00	178,670	183,440
Inspira Health Obligated Group, Series 2016A	2036	2.00 - 5.00	164,400	171,185
St. Joseph's Healthcare System, Series 2016	2036	3.00 - 5.00	238,040	241,740
Trinitas Regional Medical Center Obligated Group, Series 2016A	2030	4.00 - 5.00	12,520	13,270
AHS Hospital Corp, Series 2016	2036	3.00 - 5.00	211,055	219,855
RWJ Barnabas Health Obligated Group, Series 2016A	2036	3.50 - 5.00	679,135	679,135
Trinitas Regional Medical Center Obligated Group, Series 2017	2030	5.00	72,055	76,370
Hackensack Meridian Health, Series 2017	2057	2.50 - 5.00	588,790	588,790
Inspira Health Obligated Group, Series 2017A	2037	2.00 - 5.00	264,500	265,000
State Contract Refunding Bonds (HATP), Series 2017	2038	5.00	170,475	170,475
Total public issues			4,907,350	5,132,355
Private placements				
CentraState Assisted Living, Inc., Series 1998	2018	4.3955	-	3,901
Bartley Assisted Living LLC, Series 2000	2025	Monthly variable rate	3,953	4,166
JFK Assisted Living Series 2001	2026	3.33	5,725	6,495
Shore Memorial Hospital Obligated Group, Series 2009	2039	Weekly Indexed rate	25,345	25,960
Shore Memorial Hospital Obligated Group, Series 2010	2039	Weekly Indexed rate	12,670	12,980
St. Ann's Home for the Aged, Series 2010	2040	Indexed rate	10,236	10,483
Bridgeway Assisted Living LLC., Series 2010	2020	Indexed rate	3,806	4,042
Virtua Health, Inc., Series 2011	2018	1.062-1.956	-	1,850
Shore Memorial Hospital, Series 2011	2022	4.86	5,285	6,639

(*Denotes defeased or paid off)

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2018	Amount Outstanding December 31, 2017
Revenue bonds			($000)	($000)
Private placements (continued)				
House of the Good Shepherd Obligated Group, Series 2012	2031	2.54 to 2022, 4.41 after	10,940	11,640
Wiley Mission, Series 2012 Lot A	2029	Monthly variable rate	7,500	8,071
Wiley Mission, Series 2012 Lot B	2022	Monthly variable rate	995	1,243
Shore Memorial Health Care System, Series 2013	2023	Indexed rate	10,425	12,155
Deborah Heart & Lung Center, Obligated Group, Series 2014	2023	4.28	7,964	9,739
CentraState Medical Center, Obligated Group, Series 2014A	2028	2.97	28,810	29,810
*CentraState Medical Center, Obligated Group, Series 2014B	2018	1.50	-	1,365
CentraState Medical Center, Obligated Group, Series 2014C	2029	3.00	7,620	8,220
Hunterdon Medical Center, Series 2014B	2029	2.44	16,260	16,260
Hunterdon Medical Center, Series 2014C	2019	indexed rate	1,349	2,657
Hunterdon Medical Center, Series 2014D	2034	indexed rate	4,194	4,387
Hackensack University Med. Ctr., Ob. Grp., Series 2015A	2040	2.38	75,417	78,047
Samaritan Healthcare and Hospice, Series 2015	2040	2.6500	7,379	7,624
Meridian Health System Obligated Group, Series 2015A	2045	2.5000	116,639	120,972
Princeton Healthcare System, Series 2016B	2045	Indexed rate	65,000	65,000
Princeton Healthcare System, Series 2016C	2045	Indexed rate	20,000	20,000
Meridian Health System, Series 2016A	2038	Monthly variable rate	125,865	127,865
Holy Name Medical Center Obligated Group, Series 2016A	2030	2.63	38,145	38,835
Holy Name Medical Center Obligated Group, Series 2016B	2016	2.45	12,555	13,715
RWJ Barnabus, Series 2017A (Reissue)	2036	3.23	8,575	8,882
RWJ Barnabus, Series 2017B (Reissue)	2036	Monthly variable rate	4,438	4,591
Insprira Health Obligated Group, Series 2017B	2042	Monthly variable rate	59,000	60,000
Centrastate Medical Center Obligated Group, Series 2017A	2037	3.26	33,225	33,465
Village Drive Health Care Urban Renewal Issue, Series 2018	2038	5.75	23,000	-
Total private placements			752,315	761,059
Capital asset program				
Total Capital Asset Program, Series A & B	2035		50,000	50,000
Total bonds payable			$ 5,709,665	$ 5,943,414
Equipment revenue notes				
Christian Health Care Center, Series 2013	2018	2.16	$ -	$ 33
Christian Health Care Center, Series 2013	2018	2.16	-	7
Total equipment revenue notes			-	40
Master Leases				
Newark Beth Israel Medical Center, Dated February 28, 2013	2018	1.59	-	29
Barnabas Health Inc., Dated August 15, 2013	2018	1.61	-	356
Clara Maass Medical Center, Dated August 15, 2013	2018	1.61	-	175
Newark Beth Israel Medical Center, Dated August 15, 2013	2018	1.61	-	235
Monmouth Medical Center, Dated November 20, 2013	2018	2.14	-	172
Monmouth Medical Center, Dated January 13, 2015	2020	1.53	681	1,299
St. Barnabas Medical Center, Dated April 17, 2015	2022	2.02	2,368	3,048
St. Barnabas Medical Center, Dated February 25, 2016	2021	1.46	585	849
Englewood Hospital & Medical Center, Dated July 28, 2016	2028	1.79	14,251	19,594
Total master leases			17,885	25,757
Total revenue bonds, equipment revenue notes and master leases			$ 5,727,550	$ 5,969,211

(*Denotes defeased or paid off)

J. 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
2019	$ 130,054	$ 246,473	$ 376,527
2020	151,239	241,146	392,385
2021	156,747	234,843	391,590
2022	172,643	227,615	400,258
2023	181,132	220,317	401,449
2024-2028	1,026,797	957,479	1,984,276
2029-2033	1,223,795	722,281	1,946,076
2034-2038	1,264,414	462,363	1,726,777
2039-2043	1,043,346	189,282	1,232,628
2044-2048	305,030	47,740	352,770
2049-2053	36,385	14,491	50,876
2054-2057	35,970	4,735	40,705
	$ 5,727,552	$ 3,568,765	$ 9,296,317

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, 2018.

K. 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.

K. 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, 2018 and 2017, there were the following Events of Default of the Authority's bond issues:

- 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 $15,000,000 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 $15,000,000 was deposited into an escrow account consisting primarily of State and Local Government Securities and, after accounting for interest earnings thereon, $1,584,312 was used to pay towards the interest due 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 was 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

- In February 2013, St. Michael's Medical Center ("St. Michael's") signed an Asset Purchase Agreement with Prime Healthcare Services ("Prime"). With the regulatory processes for the sale still pending, on August 10, 2015, St. Michael's declared bankruptcy and ceased making debt service payments. Prime became the stalking horse bidder for St. Michael's in bankruptcy and eventually won the court's approval to be the winning bidder with a bid of $62,248,000, which is adjusted by a formula involving net working capital surplus and cash on hand. In June of 2016, the Authority agreed to a bankruptcy settlement amount of $55,750,000 from the sale of St. Michael's to Prime. Of that, $55,543,890 was deposited into a defeasance escrow account to defease a pro rata portion of the outstanding St. Michael's bonds in order to preserve the tax-exempt status of the bonds. The remaining $206,110 was used to pay costs associated with the sale, including bankruptcy fees and expenses of the Master Trustee. The Authority used the $55,543,890 of the sale proceeds to defease a pro rata portion of each maturity of bonds on the first call date of October 1, 2018. See below, paragraph 3 for the remaining portion of debt service on the St. Mary's bonds.

K. COMPLIANCE WITH BOND PROVISIONS (CONTINUED)

- On December 28, 2017, the Authority currently refunded the remaining outstanding Transformation Act bonds issued in 2007 on behalf of the former St. Mary's Hospital and advance refunded the remaining Transformation Act bonds issued in 2008 on behalf of the former St. Michael's Medical Center, Inc. by issuing the New Jersey Health Care Facilities Financing Authority $170,475,000 State Contract Refunding Bonds (Hospital Asset Transformation Program), Series 2017 (the "Series 2017 State Contract Refunding Bonds"). As part of the refunding, the State Treasurer entered into a new State Contract agreeing to pay the principal and interest on the bonds, subject to appropriation by the State Legislature. The Series 2017 State Contract Refunding Bonds have a final maturity of October 1, 2038, and debt service payments, as follows:

State Fiscal Year	Principal and Interest Payments
Remainder of 2019 (interest only)	$ 4,261,875
2020 (interest only)	8,523,750
2021	14,749,125
2022	14,893,000
2023	14,896,125
2024	14,891,250
2025	14,897,375
2026	14,893,500
2027	14,898,625
2028	13,005,125
2029	13,009,375
2030	13,004,375
2031	13,004,250
2032	13,007,750
2033	13,008,750
2034	13,001,375
2035	13,009,250
2036	13,006,000
2037	13,005,500
2038	13,006,250
2039	12,797,125
Total	$ 272,769,750

L. 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, 2018 and 2017, by issue, is as follows:

L. DEFEASED ISSUES (CONTINUED)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2018	Amount Outstanding December 31, 2017
Defeased public issues			($000)	($000)
Allegany Health-Our Lady of Lourdes, Series 1993 (currently a part of Catholic Health East)	2018	5.00 - 5.20	$ -	$ 3,510
The General Hospital Center at Passaic, Series 1994 (currently a part of AHS Hospital Corporation)	2019	6.00 - 6.75	5,705	11,055
St. Clare's Hospital, Inc. Series 2004 A	2025	4.25 - 5.25	44,060	49,260
Chilton Memorial Hospital, Series 2009	2019	4.00 - 5.75	33,900	34,765
Saint Barnabas Health Care System, Series 1998B	2023	0.00	24,088	26,803
St. Joseph's HealthCare System, Series 2008	2018	5.75 - 6.625	-	213,770
Robert Wood Johnson University Hospital, Series 2010	2020	2.00 - 5.00	94,100	99,380
Barnabas Health, Series 2011A	2021	3.00 - 5.75	250,665	265,505
CentraState Medical Center, Series 2006A	2037	4.00 - 5.00	-	37,430
Hackensack University Medical Center, Series 2010 (currently Hackensack Meridian Health)	2020	4.00 - 5.00	59,450	61,955
Hackensack University Medical Center, Series 2010B (currently Hackensack Meridian Health)	2020	4.00 - 5.00	82,090	88,415
Hackensack University Medical Center, Series 2012 (currently Hackensack Meridian Health)	2027	2.00 - 5.00	57,170	59,400
Hackensack University Medical Center, Series 2008 (currently Hackensack Meridian Health)	2018	5.00 - 5 3/8	-	210,020
Meridian Health Obligated Group, Series 2007 (currently Hackensack Meridian Health)	2018	5.00	-	136,200
Palisades Medical Center, Series 2013 (currently Hackensack Meridian Health)	2023	3.15 - 5.00	40,990	42,300
St. Mary's HATP, Series 2007 - 1	2018	4.00 - 5.00	-	14,275
St. Mary's HATP, Series 2008A	2039	5.00 - 5.25	-	213,505
State Contract Bonds HATP, Series 2009A-SOLARIS	2031	5.00 - 5.93	123,405	130,015
Total defeased public issues			815,623	1,697,563
Partially defeased public issues				
AHS Hospital Corp., Series 2008A	2018	Various	-	105,745
Catholic Health East, Series 2010	2020	3.0 - 5.25	2,265	2,265
AHS Hospital Corp., Series 2011	2021	4.00 - 6.00	120,115	120,115
Total partially defeased public issues			122,380	228,125
Total defeased issues			$ 938,003	$ 1,925,688

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 New Jersey Health Care Facilities Financing Authority ("Authority"), as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 11, 2019.

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 entity'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 entity'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

July 11, 2019