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

## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

## YEARS ENDED DECEMBER 31, 2019 AND 2018

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

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**INDEPENDENT AUDITORS' REPORT**

**Management and Members of**
**New Jersey Health Care Facilities Financing Authority**
**Trenton, New Jersey**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and fiduciary funds of the New Jersey Health Care Facilities Financing Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

PKF O'CONNOR DAVIES, LLP
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and fiduciary funds of the Authority, as of December 31, 2019, and the respective changes in their financial position and where applicable their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Emphasis of Matter - Change in Accounting Principle*

As discussed in Note B to the financial statements, in 2019 the Authority adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

*Emphasis of Matter – Subsequent Event*

As discussed in Note K to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of the Coronavirus disease 2019 (“COVID-19”). Our opinion is not modified with respect to that matter.

*Emphasis of Matter – Restatement*

As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note B that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the Authority other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

*Prior Period Financial Statements*

The financial statements of the Authority as of December 31, 2018, were audited by other auditors whose report dated July 11, 2019, expressed an unmodified opinion on those statements in accordance with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 5 – 9, the schedule of proportionate share of the net OPEB liability and schedule of Authority OPEB contributions pages 32 and 33, and the schedule of proportionate share of net pension liability and schedule of Authority pensions contributions on pages 34 and 35, 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 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 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 1, 2020, 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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
July 1, 2020

**NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY**
**(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**
**YEAR ENDED DECEMBER 31, 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, 2019 and the two immediately preceding years. It should be read in conjunction with the Authority's financial statements and accompanying notes.

## Financial Highlights

The Authority's total net position increased $805,000 or 12.9%
Cash and cash equivalents increased $1,174,000 or 13.9%
Operating revenue increased $162,000 or 4.3%
Operating expenses decreased $1,106,000 or 24.9%
Operating income increased $1,268,000 or 193.6%

## 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, 2019, 2018 and 2017:

| | 2019 | 2018 (As Restated) | 2017 (As Restated) | Change 2019-2018 | % Change |
|---|---|---|---|---|---|
| | ($000) | ($000) | ($000) | ($000) | (%) |
| Current assets | $ 12,238 | $ 10,941 | $ 10,256 | $ 1,297 | 11.9% |
| Noncurrent assets | 2,221 | 2,248 | 2,702 | (27) | -1.2% |
| Total assets | 14,459 | 13,189 | 12,958 | 1,270 | 9.6% |
| Deferred outflows of resources | 898 | 1,326 | 1,865 | (428) | -32.3% |
| Current liabilities | 2,389 | 2,220 | 2,252 | 169 | 7.6% |
| Long-term liabilities | 4,001 | 4,297 | 4,391 | (296) | -6.9% |
| Total liabilities | 6,390 | 6,517 | 6,643 | (127) | -1.9% |
| Deferred inflows of resources | 1,944 | 1,780 | 1,460 | 164 | 9.2% |
| Total net position | $ 7,023 | $ 6,218 | $ 6,720 | $ 805 | 12.9% |

Current assets are comprised of cash and cash equivalents (operating account, Federally Qualified Health Centers ("FQHC") loan program, and John Brooks Debt Service Deficiency Fund), administrative fees and other receivables, notes receivable, notes interest receivable and prepaid expenses.

**Financial Analysis of the Authority (Continued)**

Current assets increased 11.9% from December 31, 2018 to December 31, 2019. As of December 31, 2019, 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, 2019 and 2018 was 1.75% and 2.38%, respectively. Overall, the operating account cash and cash equivalents decreased $872,000 while the FQHC loan program cash and cash equivalents increased $46,000. There was also the additional $2,000,000 allocated to John Brooks Debt Service Deficiency Fund.

The operating account cash and cash equivalents decreased due to funds being transferred for John Brooks Debt Service Deficiency Fund. The increase in the FQHC loan program cash and cash equivalents was due to the collection of principal and interest payments on three (3) loans in 2019. The FQHC loan program is further described in Note D to the financial statements.

Administrative fees and other receivables increased overall by $61,000. The majority of the receivables consist of the Authority's semi-annual fee billings which had an overall increase of $24,000. The semi-annual fee billings invoiced on December 31, 2019 and 2018, totaled $1,934,000 and $1,832,000, respectively, or an increase of $102,000. There was one (1) new financing and three (3) refinancings added to the Authority's portfolio in 2019. 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 increased $129,000 due to additional principal payments receivable from Neighborhood Health Services loan in the amount of $129,000.

Prepaid expenses from December 31, 2018 to December 31, 2019, decreased $66,000 or 62.9%. The decrease is mainly due to prepaid pension expense and prepaid insurance.

When comparing current assets as of December 31, 2017 to December 31, 2018, current assets increased 6.7%. Overall, the operating account cash and cash equivalents increased $133,000 while the FQHC loan program cash and cash equivalents increased $564,000. The increase 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 2018. Administrative fees and other receivables decreased overall by $16,000. 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.

**Financial Analysis of the Authority (Continued)**

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 three note receivables that exceeds one year as further described in Note D to the financial statements. Notes receivable include Neighborhood Health Services Corporation and Lakewood Resource and Referral Center Series 2015 and 2017.

Noncurrent assets at December 31, 2019, decreased $27,000 when compared to December 31, 2018. The Authority has a noncurrent portion of three FQHC loans receivable to Lakewood Resource and Referral Center, Inc. and Neighborhood Health Services Corporation in the amount of $2,189,000. In addition, capital asset equipment and furniture were purchased in 2019 totaling $20,000. It should be noted that a majority of the Authority's capital assets have been fully depreciated. Deferred outflows of resources is a result of the implementation of the Governmental Accounting Standards Board ("GASB") Statement 68, *Accounting and Financial Reporting for Pensions* and GASB Statement 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Deferred outflows of resources at December 31, 2019 and 2018 totaled $898,000 and $1,326,000, respectively, which is a decrease of $428,000 or 32.3%.

Current liabilities in 2019 are comprised of accounts payable, accrued expenses, unearned revenue-annual fees and section 142(d) fees. When compared to December 31, 2018, current liabilities increased $169,000 or 7.6%. Accounts payable and accrued expenses increased $44,000 or 9.8%. The majority of the increase is in accounts payable and accrued expenses is due to accounting for GASB 68 amount for 2020. The accrual for unused vacation and unused sick time increased due to more hours accrued by staff members in 2019 compared to 2018. It should be noted that a retiree is entitled up to one-half of their accrued sick time; but the amount of the payment cannot exceed $15,000. There was an increase in unearned revenue-annual fees due to new financing and refinancing in 2019. The 2019 unearned revenue – annual fees increased $131,000 or 7.5% compared to December 31, 2018. It represents the semi-annual fees billed on December 31, 2018 and 2017, which cover the periods January 1, 2019 to June 30, 2019, and January 1, 2018 to June 30, 2018, respectively. Unearned revenue-section 142(d) fees decreased $6,000 or 26.1% from 2018 to 2019. 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.

Deferred inflows of resources is also a result of GASB Statement 68 and GASB Statement 75 and at December 31, 2019 and 2018 totaled $1,944,000 and $1,780,000, respectively, which is an increase of $164,000 or 9.2%.

**Financial Analysis of the Authority (Continued)**

Long-term liabilities represent the Authority's actuarially calculated net pension liability in accordance with the requirements of GASB Statement 68. The liability as of December 31, 2019 and 2018 is $4,001,000 and $4,297,000, respectively, which is a decrease of $296,000 or 6.9%.

**Changes in Net Position –** The following table presents the changes in net position for the years ended 2019, 2018, and 2017:

| | 2019 | 2018 (As Restated) | 2017 (As Restated) | Change 2019-2018 | % Change |
|---|---|---|---|---|---|
| | ($000) | ($000) | ($000) | ($000) | (%) |
| Operating revenues | | | | | |
| Administrative fees | | | | | |
| Annual fees | $ 3,647 | $ 3,623 | $ 3,717 | $ 24 | 0.7% |
| Initial fees | 100 | 30 | 71 | 70 | 233.3% |
| Administrative fees-Neighborhood Loan | 3 | | | 3 | 100.0% |
| Per series/per master lease fees | 60 | 10 | 70 | 50 | 500.0% |
| Mortgage servicing and Section 142 (d) fees | 17 | 17 | 24 | - | 0.0% |
| Note Interest Income Designated FQHC loan program | 124 | 109 | 43 | 15 | 13.8% |
| Total operating revenues | 3,951 | 3,789 | 3,925 | 162 | 4.3% |
| Operating expenses | | | | | |
| Salaries and related expenses | 2,694 | 2,745 | 1,389 | (51) | -1.9% |
| General and administrative | 539 | 526 | 540 | 13 | 2.5% |
| Professional fees and other | 145 | 910 | 75 | (765) | -84.1% |
| Provision for postemployment benefits | (47) | 247 | 358 | (294) | -119.0% |
| Depreciation expense | 7 | 16 | 16 | (9) | -56.3% |
| Total operating expenses | 3,338 | 4,444 | 2,378 | (1,106) | -24.9% |
| Operating income | 613 | (655) | 1,547 | 1,268 | 193.6% |
| Nonoperating revenues | | | | | |
| Interest income from investments | 192 | 153 | 78 | 39 | 25.5% |
| Total nonoperating revenues | 192 | 153 | 78 | 39 | 25.5% |
| Change in net position | 805 | (502) | 1,625 | 1,307 | 251.0% |
| Net position, beginning of year | 6,218 | 6,720 | 5,095 | (502) | -7.5% |
| Net position, end of year | $ 7,023 | $ 6,218 | $ 6,720 | $ 805 | 12.9% |

**Financial Analysis of the Authority (Continued)**

The Authority's net position increased $805,000 or 12.9% from December 31, 2018 to December 31, 2019. The Authority's net position decreased $502,000 or 7.5% from December 31, 2017 to December 31, 2018.

Operating revenues - During 2019, total operating revenues increased $162,000, or 4.3% compared to 2018. Annual fees, initial fees and per series fees increased $24,000, $70,000, and $50,000 respectively, compared to 2018. The Authority also earned $3,000 from administrative fees related to Neighborhood Health Services Corporation loan. Annual Fees increased due to the recognition of unearned revenue from the December 31, 2018 and June 30, 2019 semi-annual fee billings which were higher than those billed in the previous year. Regarding the increase 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 2019, six (6) per series fees was received in the amount of $60,000, and $99,350 initial fees were received. The increase was due to new financings and refinancing of issues in 2019.

During 2018, one (1) per series fees was received in the amount of $10,000, and $30,077 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.

Interest received in 2019 was $192,000 compared to $153,000 in 2018 and $78,000 received in 2017. 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 Neighborhood Health Services issued on January 30, 2019 and 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 2019, the interest earned on the FQHC loans was $124,000, compared to $109,000 in 2018 and $43,000 in 2017. The $15,000 increase between 2018 and 2019 is due to the addition of Neighborhood Health Services loan. 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 2019, operating expenses decreased $1,106,000 or 24.9% when compared to 2018. The majority of the decrease in operating expenses is in the category of Professional fees due to a payment for a consultant to study and assess New Jersey's state-run psychiatric hospitals in 2018. The provision for postemployment benefits decreased due to the actuarial valuation completed for the year 2019 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 2018 to 2017, there was an increase of $2,066,000 or 86.9%. 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 Trust.

Nonoperating revenues – Interest income in 2019 and 2018 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCMF. During 2019, nonoperating revenues increased $39,000 or 25.5% due to the increase in the interest rate in the NJCMF from an average 1.86% in 2018 to an average of 2.19% in 2019. There were no miscellaneous income items or gain on disposal of assets items in 2019.

Interest income in 2018 and 2017 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCFM which totaled $153,000 in 2018 and $78,000 in 2017. The average yield on the NJCMF for 2018 and 2017 was 1.86% and 0.88%, 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, 2019 AND 2018

| | 2019 ($000) | 2018 (As Restated) ($000) |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 6,928 | $ 7,800 |
| Cash and cash equivalents - designated FQHC loan program | 685 | 639 |
| Cash and cash equivalents - John Brooks DS Deficiency Fund | 2,000 | - |
| Administrative fees and other receivables | 1,998 | 1,937 |
| Notes receivable - designated FQHC loan program | 579 | 450 |
| Notes interest receivable - designated FQHC loan program | 9 | 10 |
| Prepaid expenses | 39 | 105 |
| Total current assets | 12,238 | 10,941 |
| Noncurrent assets | | |
| Notes receivable - designated FQHC loan program | 2,189 | 2,229 |
| Capital assets | 705 | 685 |
| Less accumulated depreciation | (673) | (666) |
| Total noncurrent assets | 2,221 | 2,248 |
| Total assets | 14,459 | 13,189 |
| Deferred outflows of resources - related to pensions | 664 | 1,051 |
| Deferred outflows of resources - related to other postemployment benefits | 234 | 275 |
| Total deferred outflows | 898 | 1,326 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 493 | 449 |
| Unearned revenue - annual fees | 1,879 | 1,748 |
| Unearned revenue - 142(d) fees | 17 | 23 |
| Total current liabilities | 2,389 | 2,220 |
| Long-term liabilities | | |
| Net pension liability | 3,947 | 4,269 |
| Net other postemployment benefits liablity | 54 | 28 |
| Total long-term liabilities | 4,001 | 4,297 |
| Total liabilities | 6,390 | 6,517 |
| Deferred inflows of resources - related to pensions | 1,672 | 1,780 |
| Deferred inflows of resources - related to other postemployment benefits | 272 | - |
| | 1,944 | 1,780 |
| **Net position** | | |
| Net investment in capital assets | 32 | 19 |
| Unrestricted | | |
| Undesignated | 1,529 | 2,871 |
| Designated - FQHC loan program | 3,462 | 3,328 |
| Designated - John Brooks DS Deficiency Fund | 2,000 | - |
| Total net position | $ 7,023 | $ 6,218 |

## 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, 2019 AND 2018

| | 2019 ($000) | 2018 (As Restated) ($000) |
|---|---|---|
| **Operating revenues** | | |
| Administrative fees | | |
| Annual fees | $ 3,647 | $ 3,623 |
| Initial fees | 100 | 30 |
| Administrative fees-Neighborhood Loan | 3 | |
| Per series/per master lease fees | 60 | 10 |
| Section 142 (d) fees | 17 | 17 |
| Note interest income - designated FQHC loan program | 124 | 109 |
| Total operating revenues | 3,951 | 3,789 |
| **Operating expenses** | | |
| Salaries and related expenses | 2,694 | 2,745 |
| General and administrative expenses | 539 | 526 |
| Professional fees | 145 | 910 |
| Provision for postemployment benefits | (47) | 247 |
| Depreciation expense | 7 | 16 |
| Total operating expenses | 3,338 | 4,444 |
| Operating income | 613 | (655) |
| **Nonoperating revenues** | | |
| Interest income from investments | 192 | 153 |
| Total nonoperating revenues | 192 | 153 |
| Changes in net position | 805 | (502) |
| Net position, beginning of year (as restated) | 6,218 | 6,720 |
| Net position, end of year | $ 7,023 | $ 6,218 |

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

## STATEMENTS OF CASH FLOWS
## YEAR ENDED DECEMBER 31, 2019 AND 2018

| | 2019 ($000) | 2018 (As Restated) ($000) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash received from customers | $ 3,892 | $ 3,676 |
| Cash payment to suppliers and employees | (2,925) | (3,679) |
| Net cash from operating activities | 967 | (3) |
| **Cash flows from capital and related financing activities** | | |
| Acquisition of capital assets | (20) | (12) |
| Net cash from capital and related financial activities | (20) | (12) |
| **Cash flows from noncapital financing activities** | | |
| Note repayments from client institution - designated FQHC loan program | (89) | 450 |
| Interest received on note - designated FQHC loan program | 124 | 109 |
| Net cash from noncapital financial activities | 35 | 559 |
| **Cash flows from investing activities** | | |
| Investment income | 192 | 153 |
| Net cash from investing activities | 192 | 153 |
| Net change in cash and cash equivalents | 1,174 | 697 |
| Cash and cash equivalents, beginning of year | 8,439 | 7,742 |
| Cash and cash equivalents, end of year | $ 9,613 | $ 8,439 |
| Operating income | $ 613 | $ (655) |
| Adjustments | | |
| Depreciation | 7 | 16 |
| Net pension expense | (43) | (7) |
| Net OPEB expense | 339 | 772 |
| Note interest income - designated FQHC loan program | (124) | (109) |
| Changes in assets and liabilities | | |
| Administrative fees and other receivables | (61) | 16 |
| Notes interest receivable - designated FQHC loan program | 1 | (2) |
| Prepaid expenses | 66 | (2) |
| Accounts payable and accrued expenses | 44 | (14) |
| Unearned revenue | 125 | (18) |
| Net cash from operating activities | $ 967 | $ (3) |

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

## STATEMENTS OF FIDUCIARY NET POSITION
## YEAR ENDED DECEMBER 31, 2019 AND 2018

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ - | $ 752 |
| Receivables | | |
| Investment income | 107 | 110 |
| Administrative fees | (1) | (1) |
| Total Receivables | 106 | 862 |
| Investments at fair value: | | |
| Domestic Equity | 4,722 | - |
| Fixed Income | 1,724 | 5,693 |
| Receipts | 98 | 28 |
| Total Investments | 6,544 | 5,721 |
| Total Assets | 6,650 | 6,583 |
| **Liabilities** | | |
| Plan benefit payments | $ 178 | $ 137 |
| Total Liabilities | 178 | 137 |
| **Net position** | $ 6,472 | $ 6,446 |

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

## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
## YEAR ENDED DECEMBER 31, 2019 AND 2018

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| **Additions:** | | |
| Net increase/decrease in fair value of investments | $ 102 | $ 31 |
| Interest and dividend income | 102 | 107 |
| Less: administrative expenses | (1) | (1) |
| Total Additions | 204 | 138 |
| **Deductions:** | | |
| Benefits payments | 178 | 137 |
| Total Deductions | 178 | 137 |
| Change in net position | (26) | (1) |
| Net position available beginning of year | 6,446 | 6,445 |
| Net position available end of year | $ 6,472 | $ 6,446 |

## 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, 2019 and 2018, are:

| | 2019 | 2018 |
|---|---|---|
| Operating checking account | $ 3 | $ 5 |
| NJCMF - operating | 6,925 | 7,795 |
| NJCMF - designated FQHC loan program | 685 | 639 |
| NJCMF - John Brooks DS Deficiency Fund | 2,000 | - |
| Total cash and cash equivalents | $ 9,613 | $ 8,439 |

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Restatement of financial results

The Authority has determined that the methodology used to calculate the amount related to pension deferrals of resources and related prepaid expenses and accounts payable was not properly capturing the Authority's contributions subsequent to the pension measurement date in accordance with GASB Statement No. 68.

As a result, the following restatements have been made to the Authority's financial statements.

| | As Previously Reported ($000) | Adjustment ($000) | Restated ($000) |
|---|---|---|---|
| **As of January 1, 2018** | | | |
| Net position | $ 6,928 | $ (208) | $ 6,720 |
| **For the year ended December 31, 2018** | | | |
| Salaries and related expenses | 2,681 | 64 | 2,745 |
| Operating expenses | 4,380 | 64 | 4,444 |
| Operating income | (591) | (64) | (655) |
| Change in net position | (438) | (64) | (502) |
| **As of December 31, 2018** | | | |
| Prepaid expenses | 157 | (52) | 105 |
| Deferred outflows of resources | 943 | 108 | 1,051 |
| Accounts payable and accrued expenses | 121 | 328 | 449 |
| Net position | 6,490 | (272) | 6,218 |

### New Accounting Pronouncements

GASB issued GASB Statement No. 84 (GASB No. 84), Fiduciary Activities, which is effective for reporting periods beginning after December 15, 2018. GASB No. 84 addresses criteria for identifying activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units. Activities meeting these criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. In 2019, the Authority applied the GAS No. 84 criteria as it relates to its OPEB plan.

## 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, 2019 and December 31, 2018, the Authority's bank balance of $3,000 and $5,000, respectively, was not exposed to custodial credit risk since the full amount was covered by FDIC insurance. The NJCMF balance of $9,610,000 and $8,434,000 at December 31, 2019 and December 31, 2018, 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, 2019 and 2018.

(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 three loans outstanding, which are considered to be fully collectible.

Lakewood Resource and Referral Center, Inc. loan dated July 27, 2015, due July 1, 2022, Lakewood Resource and Referral Center, Inc. loan dated November 16, 2017, due November 1, 2027, and Neighborhood Health Services Corporation loan dated January 29, 2019, due March 1, 2024.

| Year Ending December 31, | Principal | Estimated Interest | Total |
|---|---|---|---|
| 2020 | $ 579,385 | $ 66,362 | $ 645,747 |
| 2021 | 579,385 | 52,862 | 632,247 |
| 2022 | 475,218 | 38,425 | 513,643 |
| 2023 | 329,385 | 32,425 | 361,810 |
| 2024 | 221,565 | 22,113 | 243,678 |
| 2025 | 200,000 | 15,250 | 215,250 |
| 2026 | 200,000 | 9,250 | 209,250 |
| 2027 | 183,334 | 3,208 | 186,542 |
| Total | $ 2,768,272 | $ 239,896 | $ 3,008,168 |

## E. EMPLOYEE RETIREMENT SYSTEMS

*Description of Plans*

The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

*Public Employee Retirement System*

The Public Employee Retirement System is a cost sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund.

Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2019 and 2018:

## E. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

| | 2019 | 2018 |
|---|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 178,748 | 174,904 |
| Inactive plan members entitled to but not yet receiving benefits | 609 | 589 |
| Active plan members | 252,598 | 254,780 |
| Total | 431,955 | 430,273 |

Contributing Employers – 1,697

*Significant Legislation* – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2019 and 2018 the Authority's total and covered payroll for all employees was $1,602,132 and $1,470,782. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Commission to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.50 for State fiscal year 2019, commencing July 1, 2018. The most recent increase completed the phase-in referred to above. Employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Authority contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

It is assumed that the local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

## E. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

The Authority's contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. The Authority's payments to PERS during the years ending December 31, 2019 and 2018 consisted of the following:

| | 2019 | 2018 |
|---|---|---|
| Total Regular Billing | $213,066 | $215,681 |

The Authority recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

| Tier | Definition |
|---|---|
| 1 | Members who were enrolled prior to July 1, 2007. |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible on or after November 2, 2008 and prior to May 22, 2010 |
| 4 | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier.

Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

## E. EMPLOYEE RETIREMENT SYSTEMS (continued)

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Authority's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Authority does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2019, the PERS reported a net pension liability of $18,143,832,135 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was $3,946,835 or 0.0219043702%, which was an increase of 0.0002208502% from its proportion measured as of June 30, 2019.

At June 30, 2018, the PERS reported a net pension liability of $19,689,501,539 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was $4,269,378 or 0.0216835200%.

The following presents a summary of the proportionate share of the State of New Jersey's changes in the collective deferred outflows of resources and deferred inflows of resources attributable to the Authority for the years ended June 30, 2019 and 2018:

| | 2019 | |
|---|---|---|
| | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Differences between expected and actual | $ 70,841 | $ 17,435 |
| Changes in assumptions | 394,106 | 1,369,934 |
| Net difference between projected and actual earnings on pension plan investments | | 62,302 |
| Changes in proportion | 93,056 | 222,678 |
| Authority contributions subsequent to the measurement date | 106,533 | |
| | $ 664,536 | $ 1,672,349 |

| | 2018 | |
|---|---|---|
| | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
| Differences between expected and actual | $ 81,418 | $ 22,014 |
| Changes in assumptions | 703,523 | 1,365,120 |
| Net difference between projected and actual earnings on pension plan investments | - | 40,047 |
| Changes in proportion | 158,276 | 352,669 |
| Authority contributions subsequent to the measurement date | 107,841 | |
| | $ 1,051,058 | $ 1,779,850 |

## E. EMPLOYEE RETIREMENT SYSTEMS (continued)

The $106,533 of deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2020. Other Amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Amount |
|---|---|
| 2020 | $ (128,202) |
| 2021 | (463,161) |
| 2022 | (344,036) |
| 2023 | (165,122) |
| 2024 | (13,825) |
| Total | $ (1,114,346) |

*Actuarial Assumptions*- The total pension liability in the June 30, 2019 and June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| **June 30, 2019** | |
| Inflation rate: | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary increases: | |
| Through 2026 | 2.00 - 6.00% based on years of service |
| Thereafter | 3.00 - 7.00% based on years of service |
| Investment rate of return | 7.00% |
| **June 30, 2018** | |
| Inflation | 2.25% |
| Salary Increases (2012-2021) | 1.65 - 4.15% Based on age |
| Thereafter | 2.65 - 5.15% Based on age |
| Investment rate of return | 7.00% |

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and a 101.4% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 97.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

## E. EMPLOYEE RETIREMENT SYSTEMS (continued)

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018 are summarized in the following tables:

2019

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|---|---|---|
| Risk Mitigation Strategies | 3.00% | 4.67% |
| Cash Equivalents | 5.00% | 2.00% |
| U.S. Treasuries | 5.00% | 2.68% |
| Investment Grade Credit | 10.00% | 4.25% |
| High Yield | 2.00% | 5.37% |
| Private Credit | 6.00% | 7.92% |
| Real Assets | 2.50% | 9.31% |
| Real Estate | 7.50% | 8.33% |
| US Equity | 28.00% | 8.26% |
| Non-U.S. Developed Markets Equity | 12.50% | 9.00% |
| Emerging Markets Equity | 6.50% | 11.37% |
| Private Equity | 12.00% | 10.85% |

## E. EMPLOYEE RETIREMENT SYSTEMS (continued)

2018

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|---|---|---|
| Cash Equivalents | 5.50% | 1.00% |
| U.S. Treasuries | 3.00% | 1.87% |
| 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 Asset | 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% |
| Absolute Return/Risk Mitigation | 5.00% | 5.51% |
| Investment Grade Credit | 10.00% | 3.78% |
| Public High Yield | 2.50% | 6.82% |

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2018 was 5.66% and as of June 30, 2019 was 6.28%. This 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 3.50% as of June 30, 2019 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

## E. EMPLOYEE RETIREMENT SYSTEMS (continued)

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

**June 30, 2019**

| | At 1% Decrease | At Current Discount Rate | At 1% Increase |
|---|---|---|---|
| PERS | $ 4,985,494 | $ 3,946,835 | $ 3,071,618 |

**June 30, 2018**

| | At 1% Decrease | At Current Discount Rate | At 1% Increase |
|---|---|---|---|
| PERS | $ 5,368,251 | $ 4,269,378 | $ 3,347,494 |

*Plan Fiduciary Net Position* – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2019 and 2018 were $29,847,977,666 and $29,472,374,536, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2019 and 2018 was $23,347,631,751 and $22,742,071,972, respectively.

*Additional information*

Collective Local Group balances at June 30, 2019 are as follows:

| | |
|---|---|
| Collective deferred outflows of resources | $ 3,149,522,616 |
| Collective deferred inflows of resources | 7,645,087,574 |
| Collective net pension liability | 18,143,832,135 |
| | |
| Authority's Proportion | 0.0219043702% |

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was $974,471,686 and $1,099,708,157, respectively. The average of the expected remaining service lives of all plan members is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

## E. EMPLOYEE RETIREMENT SYSTEMS (continued)

***State Contribution Payable Dates***

Prior to July 1, 2018 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2018 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

***Receivable Contributions***

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2019 and June 30, 2018 are $1,038,892,124 and $1,073,054,740, respectively.

## 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, 2019, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 18 |
| Active employees | 22 |
| Total | 40 |

At December 31, 2019 and 2018, funds in the Trust totaled $6,471,716 and $6,445,223, respectively. The covered payroll (annual payroll of active employees covered by the Plan) was $1,573,972 and $1,470,782 for the years ended December 31, 2019 and 2018, respectively.

The net OPEB liability was measured as of January 1, 2019, 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, 2019 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 | 3.38 percent, 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 | 8.0 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. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The discount rate was 3.81% as of December 31, 2018 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 3.64% and 3.16% as of December 31, 2018 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 (12/31/2018) | $ 6,473,335 | $ 6,445,223 | $ 28,112 |
| Service cost | 265,018 | - | 265,018 |
| Interest | 236,801 | 102,457 | 134,344 |
| Differences between expected and actual experience | (35,530) | - | (35,530) |
| Changes of assumptions | (277,306) | - | (277,306) |
| Adjustments | - | (30,258) | 30,258 |
| Other disbursements | - | (130,405) | 130,405 |
| Deposits | - | 79,348 | (79,348) |
| Capital gains | - | 4,600 | (4,600) |
| Net Investment Income | - | 138,247 | (138,247) |
| Benefit payments | (136,996) | (136,996) | - |
| Administrative expense | - | (500) | 500 |
| Net changes | 51,987 | 26,493 | 25,494 |
| Net OPEB liability at end of year (12/31/2019) | $ 6,525,322 | $ 6,471,716 | $ 53,606 |

| Change in Net OPEB Liability | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|---|---|---|
| Net OPEB liability at beginning of year (12/31/2017) | $ 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 (12/31/2018) | $ 6,473,335 | $ 6,445,223 | $ 28,112 |

## F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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 (2.81 percent) or 1-percentage- point higher (4.81 percent) than the current discount rate:

**December 31, 2019**

| Sensitivity of the Net OPEB Liability to Changes in the Discount Rate | Discount Rate 2.81% | Discount Rate 3.81% | Discount Rate 4.81% |
|---|---|---|---|
| Net OPEB Liability | $ 839,578 | $ 53,606 | $ (573,766) |

**December 31, 2018**

| Sensitivity of the Net OPEB Liability to Changes in the Discount Rate | Discount Rate 2.55% | Discount Rate 3.55% | Discount Rate 4.55% |
|---|---|---|---|
| Net OPEB Liability | $ 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:

**December 31, 2019**

| Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| Net OPEB Liability | $ (665,675) | $ 53,606 | $ 981,294 |

**December 31, 2018**

| Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| Net OPEB Liability | $ (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.

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

## F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

| **December 31, 2019** | | |
|---|---|---|
| Deferred Outflows of Resources | | |
| Deferred Outflows as of January 1, 2018 | $ | 274,852 |
| Changes in Assumptions or Other Inputs | | 41,207 |
| Deferred Outflows as of January 1, 2019 | $ | 233,645 |

| **December 31, 2018** | | |
|---|---|---|
| Deferred Outflows of Resources | | |
| Deferred Outflows as of January 1, 2017 | $ | 316,059 |
| Changes in Assumptions or Other Inputs | | 41,207 |
| Deferred Outflows as of January 1, 2018 | $ | 274,852 |

| **December 31, 2019** | | |
|---|---|---|
| Deferred Inflows of Resources | | |
| Deferred Inflows of Resources as of January 1, 2018 | $ | - |
| Difference between Expected and Actual Experience | | (30,898) |
| Changes in Assumptions or Other Inputs | | (241,151) |
| Deferred Inflows of Resources as of January 1, 2019 | $ | (272,049) |

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, 2019 (determined at the beginning of the measurement period) is 7.67 years.

## G. 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.

## H. RELATED-PARTY TRANSACTIONS

Operating expenses for the years ended December 31, 2019 and 2018, include approximately $318,474 and $292,248, respectively, relating to payment for goods and services provided by various State agencies.

## I. CONDUIT DEBT AND MASTER LEASE OBLIGATIONS

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks or rewards of the related financing. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. During the years ended December 31, 2019 and 2018, the Authority issued

## I. CONDUIT DEBT AND MASTER LEASE OBLIGATIONS (CONTINUED)

$371,808,000 and $23,000,000, respectively, in conduit debt. The amount of conduit debt outstanding at December 31, 2019 and 2018, totaled $5,995,450,000 and $5,709,670,000, respectively. Total assets for the trustee held funds relating to the conduit debt were $6,100,296,000 and $5,826,570,000, for the years ended December 31, 2019 and 2018, respectively. Total liabilities and net position for the trustee held funds relating to the conduit debt were $6,100,296,000 and $5,826,570,000 as of December 31, 2019 and 2018, respectively.

Regarding the Master Leasing Program, during the years ended December 31, 2019 and 2018, leases entered into totaled $0 and $0, respectively. The amount of lease payments outstanding at December 31, 2019 and 2018, totaled $10,857,000 and $17,885,000, 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, 2019 through December 18, 2020, has a $20 million liability limit with a retention level of $250,000 at a premium cost of $69,107.

## K. SUBSEQUENT EVENTS

Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result of the economic uncertainties, the Authority expects this matter to negatively impact its operating results. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, the Authority cannot reasonably estimate the actual full impact on the Authority's financial position at this time. The following are some known or anticipated factors that may impact the Authority's financial position. The Authority could see a potential a decline in financings as institutions may not have resources to fund new projects in the near future. There is a risk that the Authority's Borrowers, which are health care organizations, will have financial difficulty which could result in their delay in payment of or inability to pay Authority fees due August 1, 2020, which accounts for nearly 50% of the Authority's revenues for 2020. The Authority's pension liability under the State run pension plan may increase as a result of recent poor performance in the financial markets. Declining interest rates are likely to reduce the amount earned on the Authority's cash and investments.

Additionally, the Authority's cash and cash equivalents are expected to be reduced by $6,000,000 so they can be utilized for emergency interest-free loans to health care organizations for Covid-19 related expenses, further reducing investment income. The Authority also intends to forgo the collection of interest from the Federally Qualified Health Centers ("FQHC") loan program for the next twelve months (5/1/2020-4/30/2021).

# 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 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ($000) | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Actuarially determined contribution | $ 79 | $ 28 | $ 358 | $ 564 | $ 307 | $ 294 | $ 280 | $ 268 | $ 255 | $ 297 |
| Contribution in relation to the actuarially determined contribution | (79) | (28) | (358) | (564) | (307) | (294) | (280) | (268) | (255) | (297) |
| contribution deficiency(excess) | - | - | - | - | - | - | - | - | - | - |
| Covered employee payroll | 1,602 | 1,471 | 1,517 | 1,550 | 1,645 | 1,714 | 1,705 | 1,714 | 1,720 | 1,734 |
| Contributions as a percentage of covered employee payroll | 4.94% | 1.91% | 23.60% | 36.39% | 18.66% | 17.15% | 16.42% | 15.64% | 14.83% | 17.13% |

Notes to Schedule

| | |
|---|---|
| Valuation Date | Mortality |
| Measurement Date | January 1, 2019 for Fiscal Year End December 31, 2019 reporting. |
| Acturial Cost Method | Entry Age Normal, level percent of pay. Sevice 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 nessarily imply that an obligation to continue the plan actually exists. |

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

## SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

| | 2019 | 2018 |
|---|---|---|
| **Total OPEB Liability** | | |
| Service cost | $ 265,018 | $ 232,994 |
| Interest | 236,801 | 232,532 |
| Differences between expected and actual experience | (35,530) | - |
| Changes of assumptions or other inputs | (277,306) | 316,060 |
| Benefit payments | (136,996) | (196,960) |
| Net change in total OPEB liability | 51,987 | 584,626 |
| Total OPEB liability-beginning | 6,473,335 | 5,888,709 |
| Total OPEB liability-ending | $ 6,525,322 | $ 6,473,335 |
| **Plan Fiduciary Net Position** | | |
| Net investment income | $ 138,247 | $ 50,660 |
| Interest | 102,457 | - |
| Deposits | 79,348 | - |
| Capital gains | 4,600 | - |
| Benefit payments | (136,996) | (196,960) |
| Adjustments | (30,258) | - |
| Other disbursements | (130,405) | - |
| Administrative expense | (500) | (500) |
| Net Change in plan fiduciary net position | 26,493 | (146,800) |
| Plan fiduciary net position-beginning | 6,445,223 | 6,592,023 |
| Plan fiduciary net position-ending | $ 6,471,716 | $ 6,445,223 |
| Net OPEB Liability-ending | $ 53,606 | $ 28,112 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.82% | 0.43% |
| Covered employee payroll | $ 1,602,132 | $ 1,470,782 |
| Net OPEB Liability as a percentage of covered-employee payroll | 3.35% | 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 - PERS

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Proportion of Net Pension Liability | 0.0219043702% | 0.0216835200% | 0.0218833644% |
| Proportionate Share of Net Pension Liability | $ 3,946,835 | $ 4,269,378 | $ 5,094,097 |
| Covered-Employee Payroll | 1,602,132 | 1,470,782 | 1,517,320 |
| Proportionate Share of Net Pension Liability as a Percentage of Payroll | 250.76% | 290.28% | 335.73% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 56.27% | 53.60% | 48.10% |

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

### SCHEDULES OF CONTRIBUTIONS - PERS

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Contractually Required Contribution | $ 213,066 | $ 215,681 | $ 202,726 |
| Contribution in Relation to the Contractually Required Contribution | 213,066 | 215,681 | 202,726 |
| | $ - | $ - | $ - |
| Covered-Employee Payroll | $ 1,602,132 | $ 1,470,782 | $ 1,517,320 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.30% | 14.66% | 13.36% |

# 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, 2019 AND 2018

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| Assets | | |
| Loans receivable, net | $ 4,937,112 | $ 4,850,863 |
| Capital asset program notes receivable, net | 29,429 | 3,639 |
| Lease receivable | 225,315 | 236,390 |
| State contract bonds receivable | 170,475 | 170,475 |
| Construction/program accounts | | |
| Cash and cash equivalents | 540,266 | 328,638 |
| Investments | 457 | 597 |
| Prepaid expenses | 21 | 10 |
| Debt service accounts | | |
| Cash and cash equivalents | 125,972 | 134,456 |
| Investments | 2,296 | 2,409 |
| Receivable from master trustee/institution | 8,865 | 5,731 |
| Debt service reserve accounts | | |
| Cash and cash equivalents | 27,951 | 40,868 |
| Investments | 21,280 | 34,609 |
| Master lease funds | | |
| Lease payments receivable, net | 10,857 | 17,885 |
| Total assets | $ 6,100,296 | $ 5,826,570 |
| Liabilities and net position | | |
| Bonds payable | $ 5,995,450 | $ 5,709,670 |
| Accrued interest payable | 93,353 | 98,424 |
| Accrued expenses | 65 | 119 |
| Master lease payable | 10,857 | 17,885 |
| Capital Asset Program net position | 571 | 472 |
| | $ 6,100,296 | $ 5,826,570 |

## 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, 2019 AND 2018

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Payments received from institutions under agreements | $ 329,672 | $ 362,266 |
| Equity contributions from institutions | - | 579 |
| Disbursements for construction/acquisition and issuance expense | (400,726) | (206,705) |
| Other disbursements | 27,661 | 148,668 |
| Net cash from operating activities | (43,393) | 304,808 |
| **Cash flows from capital and related financing activities** | | |
| Disbursements for equipment | - | (8,328) |
| Payments received from institutions under lease/sublease agreements | 3,647 | 8,267 |
| Payments made under lease/sublease agreements | (3,530) | (7,872) |
| Principal/premium paid on master lease | (117) | (395) |
| Net cash from capital and related financial activities | - | (8,328) |
| **Cash flows from noncapital financing activities** | | |
| Face amount of revenue bonds | 704,916 | 23,000 |
| Accrued interest to date of delivery | (732) | (126) |
| Refunding of pre-existing debt/escrows fund deposit | 728 | 126 |
| Net proceeds from sale of revenue bonds | 704,912 | 23,000 |
| Principal/premium paid on revenue bonds | (248,875) | (247,374) |
| Interest paid on revenue bonds | (244,092) | (269,747) |
| Net cash from noncapital financial activities | 211,945 | (494,121) |
| **Cash flows from investing activities** | | |
| Net investment in securities | 13,749 | 9,777 |
| Interest on investments | 7,926 | 8,818 |
| Net cash from investing activities | 21,675 | 18,595 |
| Net change in cash and cash equivalents | 190,227 | (179,046) |
| Cash and cash equivalents, beginning of year | 503,962 | 683,008 |
| Cash and cash equivalents, end of year | $ 694,189 | $ 503,962 |
| | | |
| Construction/program accounts | $ 540,266 | $ 328,638 |
| Debt service accounts | 125,972 | 134,456 |
| Debt service reserve accounts | 27,951 | 40,868 |
| | $ 694,189 | $ 503,962 |

## NOTES TO SUPPLEMENTARY INFORMATION

### A. BACKGROUND – CONDUIT DEBT

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

Bonds, notes and leases issued by the Authority are not a debt or liability of the State of New Jersey (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.

## NOTES TO SUPPLEMENTARY INFORMATION

## C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

As of December 31, 2019 and 2018, mortgages and loans receivable were:

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| **Mortgages** | | |
| Total mortgages receivable | $ - | $ - |
| **Loans** | | |
| Secured by pledge of collateral with trustees: | | |
| Christian Health Care Center | $ 4,800 | $ 4,995 |
| Bartley Assisted Living, LLC | 3,752 | 3,953 |
| JFK Assisted Living | | 5,725 |
| Meridian Hospitals Corporation (currently Hackensack Meridian Health) | 12,905 | 13,360 |
| Wiley Mission Project | 7,653 | 8,495 |
| The Matheny School and Hospital | 800 | 1,000 |
| Virtua Health, Inc. | 46,940 | 48,725 |
| MHAC I, LLC (currently Hackensack Meridian Health) | 22,215 | 23,375 |
| Southern Ocean County Hospital (currently Hackensack Meridian Health) | 14,220 | 14,625 |
| St. Ann's Home for the Aged | 9,975 | 10,236 |
| Bridgeway Assisted Living | 3,560 | 3,806 |
| Samaritan Healthcare and Hospice | 7,129 | 7,379 |
| University Hospital | 254,975 | 254,975 |
| RWJ Barnabas (REISSUE) | 8,208 | 13,013 |
| Village Drive Health Care | 23,000 | 23,000 |

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

NOTES TO SUPPLEMENTARY INFORMATION

## C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| **Loans (Continued)** | | |
| Secured by pledge of gross receipts under Master Trust Indenture: | | |
| Hackensack Medical Center | | |
| (currently Hackensack Meridian Health) | $ 72,724 | $ 75,417 |
| Saint Peter's Medical Center | | |
| (currently Saint Peter's University Hospital) | 133,770 | 139,050 |
| Hunterdon Medical Center | 62,990 | 64,538 |
| Shore Memorial Health Care System | 49,075 | 53,725 |
| St. Joseph's Hospital and Medical Center Obligated Group | 234,230 | 238,040 |
| AHS Hospital Corporation | 383,765 | 394,850 |
| Christian Health Care Center | 13,780 | 14,920 |
| CentraState Medical Center Obligated Group | 66,020 | 69,655 |
| Virtua Health, Inc. | 512,170 | 546,845 |
| Catholic Health East | | 86,520 |
| Meridian Health System Obligated Group | | |
| (currently Hackensack Meridian Health) | 419,496 | 439,639 |
| RWJ Health Care Corporation at Hamilton, Obligated Group | | |
| (currently RWJ Barnabas Health, Inc.) | | 17,550 |
| Trinitas Hospital Obligated Group | 79,260 | 84,575 |
| The House of the Good Shepherd | 10,220 | 10,940 |
| Princeton Healthcare System | 258,660 | 263,670 |
| Holy Name Medical Center | 77,655 | 83,540 |
| Robert Wood Johnson Hospital | | |
| (currently RWJ Barnabas Health, Inc.) | 158,440 | 190,480 |
| Barnabas Health, Inc. | | |
| (currently RWJ Barnabas Health, Inc.) | 220,175 | 240,985 |
| St. Luke's Warren Hospital Obligated Group | 37,410 | 37,410 |
| Deborah Heart and Lung Center Obligated Group | 6,144 | 7,964 |
| Inspira Health Obligated Group | 479,130 | 487,900 |
| RWJ Barnabas Health Obligated Group | 909,215 | 679,135 |
| Hackensack Meridian Health | 588,790 | 588,790 |
| Valley Health System | 356,410 | |
| Total loans receivable | 5,549,660 | 5,252,800 |
| Total mortgages and loans receivable | 5,549,660 | 5,252,800 |
| Less cash and investments held by trustees | 612,548 | 401,937 |
| Mortgages and loans receivable, net | $ 4,937,112 | $ 4,850,863 |

## 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, 2019 and 2018, Capital Asset Program notes receivable were:

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| P.G. Chambers School (formerly Children's Center for Therapy and Learning, Inc.) | | $ 101 |
| CentraState Medical Center | $ 1,000 | 2,000 |
| Englewood Hospital | | 1,538 |
| Hackensack Meridian Health, Inc. | 25,071 | |
| John Brooks Recovery Center | 3,358 | |
| Total Capital Asset Program notes receivable | $ 29,429 | $ 3,639 |

## 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.

There are no Equipment Revenue Notes Receivable as December 31, 2019.

## 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.

## F. LEASE RECEIVABLE (CONTINUED)

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.

| | 2019 | 2018 |
|---|---|---|
| Greystone Park Psychiatric Hospital | $ 161,000 | $ 170,860 |
| Marlboro Psychiatric Hospital | 64,315 | 65,530 |
| Total Lease Receivable | $ 225,315 | $ 236,390 |

## 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, 2019 and 2018, State contract bonds receivable were as follows:

## G. STATE CONTRACT BONDS RECEIVABLE (CONTINUED)

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| State Contract Refunding Bonds (HATP) | $ 170,475 | $ 170,475 |
| Total State contract bonds receivable | $ 170,475 | $ 170,475 |

## 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, 2019 and 2018, Master Lease receivables were as follows:

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| St. Barnabas Medical Center | $ 1,992 | $ 2,953 |
| Monmouth Medical Center | 53 | 681 |
| Englewood Hospital & Medical Center | 8,812 | 14,251 |
| Total Master Lease receivable | 10,857 | 17,885 |
| Less cash and investments held by trustee | - | - |
| Net Master Lease receivable | $ 10,857 | $ 17,885 |

## NOTES TO SUPPLEMENTARY INFORMATION

### I. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The components of cash and cash equivalents and investments at December 31, 2019 and 2018, are as follows:

| | 2019 ($000) | 2018 ($000) |
|---|---|---|
| Cash and cash equivalents | | |
| Money Market Funds (which includes New Jersey Cash Management Fund) | $ 694,189 | $ 503,962 |
| Investments | | |
| Investment agreements collateralized | 5,845 | 5,614 |
| U.S. Treasury and Agency obligations | 18,188 | 31,998 |
| Total cash and cash equivalents and investments | $ 718,222 | $ 541,574 |

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, 2019 ($000) | Amount Outstanding December 31, 2018 ($000) |
|---|---|---|---|---|
| **Revenue bonds** | | | | |
| **Public issues** | | | | |
| Christian Health Care Center, Series 1997 B | 2028 | Weekly variable rate | $ 4,800 | $ 5,200 |
| *RWJ Health Corporation at Hamilton, Series 2002 | 2032 | Weekly variable rate | | 17,550 |
| 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 | 800 | 1,000 |
| Meridian Nursing and Rehab, Series 2004 A-3 | 2035 | Weekly variable rate | 9,405 | 9,860 |
| Virtua Health, Series 2004 | 2033 | Weekly variable rate | 46,940 | 48,725 |
| Christian Health Care Center, Series 2005 A-2 | 2035 | Weekly variable rate | 4,800 | 4,995 |
| Southern Ocean County Hospital, Series 2006 | 2036 | Weekly variable rate | 14,220 | 14,625 |

(*Denotes defeased or paid off)

## NOTES TO SUPPLEMENTARY INFORMATION

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

| | Due in Varying Installments Ending | Range of Annual Interest Rate Percentages | Amount Outstanding December 31, 2019 | Amount Outstanding December 31, 2018 |
|---|---|---|---|---|
| **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 | 11,300 | 12,460 |
| MHAC I, LLC, Series 2006 A-5 | 2036 | Weekly variable rate | 10,915 | 10,915 |
| *Catholic Health East Health System, Series 2007 E | 2033 | Indexed rate | - | 1,310 |
| Saint Peter's University Hospital Obligated Group, Series 2007 | 2037 | 5.25 - 5.75 | 59,245 | 60,265 |
| AHS Hospital Corp., Series 2008 A | 2023 | 3.50 - 5.125 | 4,035 | 4,465 |
| 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 | 8,980 | 9,720 |
| *Virtua Health, Series 2009 A | 2038 | 4.375 - 6.00 | - | 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 |
| *Catholic Health East, Series 2010 | 2033 | 2.00 - 5.25 | - | 85,210 |
| Holy Name Medical Center, Series 2010 | 2025 | 3.00 - 5.00 | 28,715 | 32,840 |
| AHS Hospital Corporation, Series 2011 | 2041 | 4.00 - 6.00 | 800 | 2,220 |
| Saint Peter's University Hospital Obligated Group, Series 2011 | 2035 | 5.00 - 6.25 | 74,525 | 78,785 |

(*Denotes defeased or paid off)

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

## NOTES TO SUPPLEMENTARY INFORMATION

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

| | Due in Varying Installments Ending | Range of Annual Interest Rate Percentages | Amount Outstanding December 31, 2019 | Amount Outstanding December 31, 2018 |
|---|---|---|---|---|
| **Revenue bonds** | | | ($000) | ($000) |
| **Public issues (continued)** | | | | |
| *Barnabas Health, Series 2011 B | 2038 | Weekly variable rate | | $ 20,810 |
| Meridian Health System, Series 2011 | 2027 | 2.00 - 5.00 | $ 101,755 | 114,270 |
| Barnabas Health, Series 2012 A | 2026 | 2.00 - 5.00 | 90,250 | 90,250 |
| 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 | 110,270 | 120,130 |
| Marlboro Psychiatric Hospital Project, Series 2013 | 2033 | 3.00 - 5.00 | 64,315 | 65,530 |
| Meridian Health System Obligated Group, Series 2013A | 2032 | 4.00 - 5.00 | 22,100 | 22,865 |
| 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 | 102,515 | 104,555 |
| Virtua Health, Series 2013 | 2029 | 3.00 - 5.00 | 121,735 | 131,730 |
| RWJ University Hospital, Series 2014A | 2043 | 5.00 | 55,925 | 55,925 |
| *RWJ University Hospital, Series 2014B | 2043 | variable rate | - | 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 | 173,660 | 178,670 |
| Inspira Health Obligated Group, Series 2016A | 2036 | 2.00 - 5.00 | 157,400 | 164,400 |
| St. Joseph's Healthcare System, Series 2016 | 2036 | 3.00 - 5.00 | 234,230 | 238,040 |
| Trinitas Regional Medical Center Obligated Group, Series 2016A | 2030 | 4.00 - 5.00 | 11,735 | 12,520 |
| AHS Hospital Corp, Series 2016 | 2036 | 3.00 - 5.00 | 201,820 | 211,055 |
| 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 | 67,525 | 72,055 |
| 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 | 263,730 | 264,500 |
| State Contract Refunding Bonds (HATP), Series 2017 | 2038 | 5.00 | 170,475 | 170,475 |
| RWJ Barnabas Health Obligated Group, Series 2019A | 2029 | 5.00 | 19,250 | |
| RWJ Barnabas Health Obligated Group, Series 2019B-1 | 2043 | 5.00 | 69,725 | |
| RWJ Barnabas Health Obligated Group, Series 2019B-2 | 2042 | 5.00 | 70,555 | |
| RWJ Barnabas Health Obligated Group, Series 2019B-3 | 2045 | 5.00 | 70,550 | |
| Valley Health System Obligated Group, Series 2019 | 2039 | 3.00 - 5.00 | 356,410 | |
| Total public issues | | | 5,024,720 | 4,907,350 |
| **Private placements** | | | | |
| Bartley Assisted Living LLC, Series 2000 | 2025 | variable rate | 3,752 | 3,953 |
| *JFK Assisted Living Series 2001 | 2026 | 3.33 | | 5,725 |
| *Shore Memorial Hospital Obligated Group, Series 2009 | 2039 | Weekly Indexed rate | | 25,345 |
| *Shore Memorial Hospital Obligated Group, Series 2010 | 2039 | Weekly Indexed rate | | 12,670 |
| St. Ann's Home for the Aged, Series 2010 | 2040 | Indexed rate | 9,975 | 10,236 |
| Bridgeway Assisted Living LLC., Series 2010 | 2020 | Indexed rate | 3,560 | 3,806 |
| *Shore Memorial Hospital, Series 2011 | 2022 | 4.86 | | 5,285 |

(*Denotes defeased or paid off)

## NOTES TO SUPPLEMENTARY INFORMATION

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

| | Due in Varying Installments Ending | Range of Annual Interest Rate Percentages | Amount Outstanding December 31, 2019 | Amount Outstanding December 31, 2018 |
|---|---|---|---|---|
| **Revenue bonds** | | | ($000) | ($000) |
| **Private placements (continued)** | | | | |
| House of the Good Shepherd Obligated Group, Series 2012 | 2031 | 2.54 to 2022, 4.41 after | $ 10,220 | $ 10,940 |
| Wiley Mission, Series 2012 Lot A | 2029 | Monthly variable rate | 6,907 | 7,500 |
| Wiley Mission, Series 2012 Lot B | 2022 | Monthly variable rate | 746 | 995 |
| *Shore Memorial Health Care System, Series 2013 | 2023 | Indexed rate | | 10,425 |
| Deborah Heart & Lung Center, Obligated Group, Series 2014 | 2023 | 4.28 | 6,144 | 7,964 |
| CentraState Medical Center, Obligated Group, Series 2014A | 2028 | 2.97 | 26,335 | 28,810 |
| CentraState Medical Center, Obligated Group, Series 2014C | 2029 | 3.00 | 7,015 | 7,620 |
| Hunterdon Medical Center, Series 2014B | 2029 | 2.44 | 16,260 | 16,260 |
| *Hunterdon Medical Center, Series 2014C | 2019 | indexed rate | | 1,349 |
| Hunterdon Medical Center, Series 2014D | 2034 | indexed rate | 3,995 | 4,194 |
| Hackensack University Med. Ctr., Ob. Grp., Series 2015A | 2040 | 2.38 | 72,725 | 75,417 |
| Samaritan Healthcare and Hospice, Series 2015 | 2040 | 2.6500 | 7,129 | 7,379 |
| Meridian Health System Obligated Group, Series 2015A | 2045 | 2.5000 | 112,306 | 116,639 |
| 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 | 123,335 | 125,865 |
| Holy Name Medical Center Obligated Group, Series 2016A | 2030 | 2.63 | 37,430 | 38,145 |
| Holy Name Medical Center Obligated Group, Series 2016B | 2026 | 2.45 | 11,510 | 12,555 |
| RWJ Barnabus, Series 2017A (Reissue) | 2036 | 3.23 | 8,208 | 8,575 |
| *RWJ Barnabus, Series 2017B (Reissue) | 2036 | Monthly variable rate | | 4,438 |
| Insprira Health Obligated Group, Series 2017B | 2042 | Monthly variable rate | 58,000 | 59,000 |
| Centrastate Medical Center Obligated Group, Series 2017A | 2037 | 3.26 | 32,670 | 33,230 |
| Village Drive Health Care Urban Renewal Issue, Series 2018 | 2038 | 5.75 | 23,000 | 23,000 |
| Virtua Health, Series 2019 | 2038 | 3.20 | 205,435 | |
| Shore Memorial Obligated Group, Series 2019 | 2039 | 2.21 | 49,073 | |
| Total private placements | | | 920,730 | 752,320 |
| **Capital asset program** | | | | |
| Total Capital Asset Program, Series A & B | 2035 | | 50,000 | 50,000 |
| Total bonds payable | | | $ 5,995,450 | $ 5,709,670 |
| **Master Leases** | | | | |
| Monmouth Medical Center, Dated January 13, 2015 | 2020 | 1.53 | 55 | 681 |
| St. Barnabas Medical Center, Dated April 17, 2015 | 2022 | 2.02 | 1,674 | 2,368 |
| St. Barnabas Medical Center, Dated February 25, 2016 | 2021 | 1.46 | 317 | 585 |
| Englewood Hospital & Medical Center, Dated July 28, 2016 | 2028 | 1.79 | 8,811 | 14,251 |
| Total master leases | | | 10,857 | 17,885 |
| Total revenue bonds, equipment revenue notes and master leases | | | $ 6,006,307 | $ 5,727,555 |

(*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 |
|---|---|---|---|
| 2020 | $ 158,511 | $ 247,827 | $ 406,338 |
| 2021 | 163,276 | 251,956 | 415,232 |
| 2022 | 181,375 | 244,593 | 425,968 |
| 2023 | 189,763 | 236,425 | 426,188 |
| 2024 | 202,270 | 226,375 | 428,645 |
| 2025-2029 | 1,070,172 | 952,063 | 2,022,235 |
| 2030-2034 | 1,261,521 | 691,421 | 1,952,942 |
| 2035-2039 | 1,366,736 | 428,001 | 1,794,737 |
| 2040-2044 | 1,060,445 | 169,357 | 1,229,802 |
| 2044-2049 | 286,545 | 40,689 | 327,234 |
| 2050-2054 | 38,055 | 12,824 | 50,879 |
| 2055-2057 | 27,638 | 2,887 | 30,525 |
| | $ 6,006,307 | $ 3,504,418 | $ 9,510,725 |

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, 2019.

## 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, 2019 and 2018, there were no Events of Default of the Authority's bond issues. 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 2020 (interest only) | $ 4,261,875 |
| 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** | $ 264,246,000 |

## NOTES TO SUPPLEMENTARY INFORMATION

### 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, 2019 and 2018, by issue, is as follows:

| | Due in Varying Installments Ending | Range of Annual Interest Rate Percentages | Amount Outstanding December 31, 2019 | Amount Outstanding December 31, 2018 |
|---|---|---|---|---|
| **Defeased public issues** | | | ($000) | ($000) |
| The General Hospital Center at Passaic, Series 1994 (currently a part of AHS Hospital Corporation) | 2019 | 6.00 - 6.75 | | $ 5,705 |
| St. Clare's Hospital, Inc. Series 2004 A | 2025 | 4.25 - 5.25 | $ 38,640 | 44,060 |
| Chilton Memorial Hospital, Series 2009 | 2019 | 4.00 - 5.75 | | 33,900 |
| Saint Barnabas Health Care System, Series 1998B | 2023 | 0.00 | 21,426 | 24,088 |
| Robert Wood Johnson University Hospital, Series 2010 | 2020 | 2.00 - 5.00 | 88,600 | 94,100 |
| Catholic Health East, Series 2010 | 2020 | 3.00 - 5.25 | 2,265 | 2,265 |
| Catholic Health East, Series 2010 | 2020 | 3.00 - 5.25 | 80,160 | |
| Barnabas Health, Series 2011A | 2021 | 3.00 - 5.75 | 225,300 | 250,665 |
| Hackensack University Medical Center, Series 2010 (currently Hackensack Meridian Health) | 2020 | 4.00 - 5.00 | 56,820 | 59,450 |
| Hackensack University Medical Center, Series 2010B (currently Hackensack Meridian Health) | 2020 | 4.00 - 5.00 | 75,450 | 82,090 |
| Kennedy Health System, Series 2012 | 2022 | 2.00 - 5.00 | 54,935 | 57,170 |
| Palisades Medical Center, Series 2013 (currently Hackensack Meridian Health) | 2023 | 3.15 - 5.00 | 39,635 | 40,990 |
| State Contract Bonds HATP, Series 2009A-SOLARIS | 2031 | 5.00 - 5.93 | | 123,405 |
| Total defeased public issues | | | 683,231 | 817,888 |
| **Partially defeased public issues** | | | | |
| AHS Hospital Corp., Series 2011 | 2021 | 4.00 - 6.00 | 120,115 | 120,115 |
| Total partially defeased public issues | | | 120,115 | 120,115 |
| Total defeased issues | | | $ 803,346 | $ 938,003 |

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

**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***

**Management and Members of**
**New Jersey Health Care Facilities Financing Authority**
**Trenton, New Jersey**

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 business type activities and fiduciary funds of the New Jersey Health Care Facilities Financing Authority as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 1, 2020.

**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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**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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
July 1, 2020