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, 2020 AND 2019

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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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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 years ended December 31, 2020 and 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 opinions 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 opinions.

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, 2020 and 2019, and the respective changes in financial position and where applicable cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 – 9, the schedule of contributions of retiree health plan and schedule of changes in net OPEB liability (asset) and related ratios on pages 36 and 37, and the schedule of proportionate share of net pension liability and schedule of contributions – P E R S on pages 38 and 39, 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 audit was 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 13, 2021, 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 solely 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 13, 2021

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2020 and 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, 2020 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 $718,000 or 10.2%
Cash and cash equivalents decreased $39,000 or 0.4%
Operating revenue decreased $31,000 or 0.8%
Operating expenses decreased $74,000 or 2.2%
Operating income increased $43,000 or 7.0%

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 Authority's condensed statements of net position at December 31, 2020, 2019 and 2018:

	2020	2019	2018 (As Restated)	Change 2020-2019	% Change
	($000)	($000)	($000)	($000)	(%)
Current assets	$ 13,507	$ 12,238	$ 10,941	$ 1,269	10.4%
Noncurrent assets	2,595	2,221	2,248	374	16.8%
Total assets	16,102	14,459	13,189	1,643	11.4%
Deferred outflows of resources	693	898	1,326	(205)	-22.8%
Current liabilities	2,461	2,389	2,220	72	3.0%
Long-term liabilities	3,610	4,001	4,297	(391)	-9.8%
Total liabilities	6,071	6,390	6,517	(319)	-5.0%
Deferred inflows of resources	2,983	1,944	1,780	1,039	53.4%
Total net position	$ 7,741	$ 7,023	$ 6,218	$ 718	10.2%

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, Loan receivable - COVID-19 Emergency loan program, notes receivable, notes interest receivable and prepaid expenses.

Financial Analysis of the Authority (Continued)

Current assets increased 10.4% from December 31, 2019 to December 31, 2020. As of December 31, 2020, 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, 2020 and 2019 was 0.06% and 1.75%, respectively. Overall, the operating account cash and cash equivalents decreased $454,000 while the FQHC loan program cash and cash equivalents increased $415,000. There was also the $2,000,000 allocated to John Brooks Debt Service Deficiency Fund.

The operating account cash and cash equivalents decreased in part due to a Covid Emergency loan payment to Salem Medical Center. 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 2020. The FQHC loan program is further described in Note D to the financial statements.

Administrative fees and other receivables decreased overall by $12,000. The majority of the receivables consist of the Authority's semi-annual fee billings. The semi-annual fee billings invoiced on December 31, 2020 and 2019, totaled $1,887,000 and $1,934,000, respectively, or a decrease of $47,000. There were two (2) new financings added to the Authority's portfolio in 2020. Other receivables consist of 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 $83,000 due to principal payments received from the FQHCs. During the Covid-19 pandemic, FQHCs were not required to make any principal payments between May 1, 2020 and October 31, 2020. As a result, principal payment amount receivable was adjusted for the temporary relief provided to the FQHCs. The FQHC loan program is further described in Note D to the financial statements.

Prepaid expenses from December 31, 2019 to December 31, 2020, decreased $2,000 or 5.1%.

When comparing current assets as of December 31, 2018 to December 31, 2019, current assets increased 11.9%. Overall, the operating account cash and cash equivalents decreased $872,000 while the FQHC loan program cash and cash equivalents increased $46,000. Administrative fees and other receivables increased overall by $61,000. 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.

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, 2020, increased $374,000 when compared to December 31, 2019. 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 $1,729,000. It should be noted that a majority of the Authority's capital assets have been fully depreciated. The Authority also has a Net OPEB Asset in the amount of $825,000 due to "The Further Consolidated Appropriations Act, 2020" signed in December 2019, repealing the High Cost Plan Excise Tax (a.k.a. "Cadillac Tax"), a decrease in medical insurance premiums, and an updated census.

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, an Amendment of GASB Statement 68.*

Deferred outflows of resources at December 31, 2020 and 2019 totaled $693,000 and $898,000, respectively, which is a decrease of $205,000 or 22.8%.

Current liabilities in 2020 are comprised of accounts payable, accrued expenses, unearned revenue-annual fees and section 142(d) fees. When compared to December 31, 2019, current liabilities increased $72,000 or 3.0%. Accounts payable and accrued expenses increased $101,000 or 20.5%. The majority of the increase in accounts payable and accrued expenses is due to accounting for GASB 68 amount for 2021, accrual for deputy attorney general fees, and accrual for unused vacation and unused sick time, which increased due to more hours accrued by staff members in 2020 compared to 2019. It should be noted that a retiree is entitled payment for up to one-half of their accrued sick time; but the amount of the payment cannot exceed $15,000. The 2020 unearned revenue – annual fees decreased $23,000 or 1.2% compared to December 31, 2019. It represents the semi-annual fees billed on December 31, 2020 and 2019, which cover the periods January 1, 2021 to June 30, 2021, and January 1, 2020 to June 30, 2020, respectively. Unearned revenue- 142(d) fees decreased $6,000 or 35.3% from 2019 to 2020. 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 a result of GASB Statement 68 and GASB Statement 75 and at December 31, 2020 and 2019 totaled $2,983,000 and $1,944,000, respectively, which is an increase of $1,039,000 or 53.4%.

Financial Analysis of the Authority (Continued)

Long-term liabilities represent the Authority's actuarially calculated net pension and other postemployment benefits liabilities in accordance with the requirements of GASB Statements 68 and 75. Long-term liabilities as of December 31, 2020 and 2019 are $3,610,000 and $4,001,000, respectively, which is a decrease of $391,000 or 9.8%.

Changes in Net Position – The following table presents the changes in net position for the years ended December 31, 2020, 2019, and 2018:

	2020	2019	2018 (As Restated)	Change 2020-2019	% Change
	($000)	($000)	($000)	($000)	(%)
Operating revenues					
Administrative fees					
Annual fees	$ 3,811	$ 3,647	$ 3,623	$ 164	4.5%
Initial fees	35	100	30	(65)	-65.0%
Administrative fees - Neighborhood Loan	3	3		-	0.0%
Per series/per master lease fees	30	60	10	(30)	-50.0%
Mortgage servicing and Section 142 (d) fees	17	17	17	-	0.0%
Note Interest Income Designated FQHC loan program	24	124	109	(100)	-80.6%
Total operating revenues	3,920	3,951	3,789	(31)	-0.8%
Operating expenses					
Salaries and related expenses	2,373	2,647	2,992	(274)	-10.4%
General and administrative	512	539	526	(27)	-5.0%
Professional fees and other	369	145	910	224	154.5%
Depreciation expense	10	7	16	3	42.9%
Total operating expenses	3,264	3,338	4,444	(74)	-2.2%
Operating income	656	613	(655)	43	-7.0%
Nonoperating revenues					
Interest income from investments	57	192	153	(135)	-70.3%
Gain on Sale of Assets	5				
Total nonoperating revenues	62	192	153	(130)	-67.7%
Change in net position	718	805	(502)	(87)	-10.8%
Net position, beginning of year	7,023	6,218	6,720	805	12.9%
Net position, end of year	$ 7,741	$ 7,023	$ 6,218	$ 718	10.2%

Financial Analysis of the Authority (Continued)

The Authority's net position increased $718,000 or 10.2% from December 31, 2019 to December 31, 2020. The Authority's net position increased $805,000 or 12.9% from December 31, 2018 to December 31, 2019.

Operating revenues - During 2020, total operating revenues decreased $31,000, or 0.8% compared to 2019. Annual fees increased $164,000, initial fees and per series fees decreased $65,000, and $30,000 respectively, compared to 2019. 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, 2019 and June 30, 2020 semi-annual fee billings which were higher than those billed in the previous year. Regarding the decrease in initial fees and per series/per master lease fees, the collection of those fees can fluctuate from year to year depending on Authority financing activity, the financing needs of the health care institutions, the actual/estimated bond size and the current economic climate. During 2020, three (3) per series fees was received in the amount of $30,000 and $34,966 in initial fees were received. The decrease was due to less new financings and refinancing of issues in 2020.

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

In 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.

Interest received in 2020 was $57,000 compared to $192,000 in 2019 and $153,000 received in 2018. This decrease 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 2020, the interest earned on the FQHC loans was $24,000, compared to $124,000 in 2019 and $109,000 in 2018. The $100,000 decrease between 2019 and 2020 is because the Authority approved temporary relief to assist FQHCs during the Covid-19 pandemic. The relief included reducing the interest rate on the FQHC loan to 0% from May 1, 2020 through April 30, 2021. The $15,000 increase between 2018 and 2019 is due to the addition of Neighborhood Health Services loan.

Operating expenses – During 2020, operating expenses decreased $74,000 or 2.2% when compared to 2019. The decrease in operating expenses is in the category of Salaries and related expenses off-set by increases in the categories of Professional fees and Provision for postemployment benefits. Professional fees increased due to The Assessment of the Need for Hospital Services in Bayonne, Salem and Trenton performed by ECG Management Consultants. Provision for postemployment benefits increased due to the actuarial valuation completed for the year 2020 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 2019 to 2018, there was a decrease of $1,106,000 or 24.9%. The majority of the decrease in operating expenses is in the category of Professional fees due to payments to 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 Trust.

Nonoperating revenues – Interest income in 2020 and 2019 represented interest earned on the Authority's checking accounts, the operating funds invested in the NJCMF, and John Brooks Debt Service Deficiency Fund account. During 2020, nonoperating revenues decreased $130,000 or 70.3% due to the decrease in the interest rate in the NJCMF from an average 2.19% in 2019 to an average of 0.46% in 2020. The Authority sold one of its vehicles in 2020 and had a small gain on disposal of assets of $4,510.

Interest income in 2019 and 2018 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCFM which totaled $192,000 in 2019 and 153,000 in 2018. The average yield of on the NJCMF for 2019 and 2018 was 2.19% and 1.86%, 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, 2020 AND 2019

	2020 ($000)	2019 ($000)
Assets		
Current assets:		
Cash and cash equivalents	$ 6,474	$ 6,928
Cash and cash equivalents - designated FQHC loan program	1,100	685
Cash and cash equivalents - John Brooks DS Deficiency Fund	2,000	2,000
Administrative fees and other receivables	2,010	1,998
Loan receivable - COVID-19 Emergency loan program	1,220	
Notes receivable - designated FQHC loan program	662	579
Notes interest receivable - designated FQHC loan program		9
Prepaid expenses	41	39
Total current assets	13,507	12,238
Noncurrent assets:		
Net OPEB Asset	825	
Notes receivable - designated FQHC loan program	1,729	2,189
Capital assets	704	705
Less accumulated depreciation	(663)	(673)
Total noncurrent assets	2,595	2,221
Total assets	16,102	14,459
Deferred outflows		
Deferred outflows of resources - related to pensions	501	664
Deferred outflows of resources - related to other postemployment benefits	192	234
Total deferred outflows	693	898
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	594	493
Unearned revenue - annual fees	1,856	1,879
Unearned revenue - 142(d) fees	11	17
Total current liabilities	2,461	2,389
Long-term liabilities:		
Net pension liability	3,610	3,947
Net other postemployment benefits liablity		54
Total long-term liabilities	3,610	4,001
Total liabilities	6,071	6,390
Deferred inflows		
Deferred inflows of resources - related to pensions	1,617	1,672
Deferred inflows of resources - related to other postemployment benefits	1,366	272
Total deferred inflows	2,983	1,944
Net position		
Investment in capital assets	41	32
Unrestricted		
Undesignated	2,209	1,529
Designated - FQHC loan program	3,491	3,462
Designated - John Brooks DS Deficiency Fund	2,000	2,000
Total net position	$ 7,741	$ 7,023

The Notes to Financial Statements are an integral part of this statement.

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
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020 ($000)	2019 ($000)
Operating revenues		
Administrative fees		
Annual fees	$ 3,811	$ 3,647
Initial fees	35	100
Administrative fees-Neighborhood Loan	3	3
Per series/per master lease fees	30	60
Section 142 (d) fees	17	17
Note interest income - designated FQHC loan program	24	124
Total operating revenues	3,920	3,951
Operating expenses		
Salaries and related expenses	2,373	2,647
General and administrative expenses	512	539
Professional fees	369	145
Depreciation expense	10	7
Total operating expenses	3,264	3,338
Operating income	656	613
Nonoperating revenues		
Interest income from investments	57	192
Gain on sale of assets	5	
Total nonoperating revenues	62	192
Changes in net position	718	805
Net position, beginning of year	7,023	6,218
Net position, end of year	$ 7,741	$ 7,023

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020 ($000)	2019 ($000)
Cash flows from operating activities		
Cash received from customers	$ 3,862	$ 3,892
Cash payment to suppliers and employees	(3,145)	(2,925)
Net cash from operating activities	717	967
Cash flows from capital and related financing activities		
Acquisition of capital assets	1	(20)
Cash received from disposal of assets	5	
Net cash from capital and related financing activities	6	(20)
Cash flows from noncapital financing activities		
Note repayments from client institution - designated FQHC loan program	377	(89)
Interest received on note - designated FQHC loan program	24	124
COVID-19 Emergency loan program	(1,220)	-
Net cash from noncapital financing activities	(819)	35
Cash flows from investing activities		
Investment income	57	192
Net cash from investing activities	57	192
Net change in cash and cash equivalents	(39)	1,174
Cash and cash equivalents, beginning of year	9,613	8,439
Cash and cash equivalents, end of year	$ 9,574	$ 9,613
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 656	$ 613
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	(10)	7
Net pension expense	(229)	(43)
Net OPEB expense	257	339
Note interest income - designated FQHC loan program	(24)	(124)
Changes in assets and liabilities		
Administrative fees and other receivables	(12)	(61)
Notes interest receivable - designated FQHC loan program	9	1
Prepaid expenses	(2)	66
Accounts payable and accrued expenses	101	44
Unearned revenue	(29)	125
Net cash from operating activities	$ 717	$ 967

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

STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2020 AND 2019

	2020 ($000)	2019 ($000)
Assets		
Cash and cash equivalents	$ -	$ -
Receivables		
Investment income	44	107
Administrative fees	(1)	(1)
Total Receivables	43	106
Investments at fair value:		
Domestic Equity	6,472	4,722
Fixed Income	-	1,724
Receipts	-	98
Total Investments	6,472	6,544
Total Assets	6,515	6,650
Liabilities		
Plan benefit payments	139	178
Total Liabilities	139	178
Net position	$ 6,376	$ 6,472

The Notes to Financial Statements are an integral part of this statement.

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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020 ($000)	2019 ($000)
Additions:		
Net increase in fair value of investments	$ -	$ 102
Interest and dividend income	44	102
Less: administrative expenses	(1)	(1)
Total Additions	43	204
Deductions:		
Benefits payments	139	178
Total Deductions	139	178
Change in net position	96	(26)
Net position available beginning of year	6,472	6,446
Net position available end of year	$ 6,376	$ 6,472

The Notes to Financial Statements are an integral part of this statement.

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 and Presentation

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual 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.

Use of Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, units of the State of New Jersey Cash Management Fund ("NJCMF"), and Restricted OPEB Trust.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The components of cash and cash equivalents at December 31, 2020 and 2019, are:

	2020 ($000)	2019 ($000)
Operating checking account	$ 3	$ 3
NJCMF - operating	6,471	6,925
NJCMF - designated FQHC loan program	1,100	685
NJCMF - John Brooks DS Deficiency Fund	2,000	2,000
Total cash and cash equivalents	$ 9,574	$ 9,613

Recently Issued Accounting Pronouncements to be Implemented in Future Years

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the effective date has been postponed by eighteen months. Management has not determined the impact of the Statement on the financial statements.

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.

C. CASH AND CASH EQUIVALENTS (CONTINUED)

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.

At December 31, 2020 and December 31, 2019, the Authority's bank balance of $4,000 and $3,000, respectively, was not exposed to custodial credit risk since the full amount was covered by FDIC insurance. The NJCMF balance of $9,570,000 and $9,610,000 at December 31, 2020 and December 31, 2019, 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 concentration of credit risk since there were no investments in the Authority's portfolio as of December 31, 2020 and 2019.

C. CASH AND CASH EQUIVALENTS (CONTINUED)

(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.

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

Year Ending December 31,	Principal	Estimated Interest	Total
2021	$ 662,328	$ 50,831	713,159
2022	528,400	40,553	568,953
2023	340,900	32,886	373,786
2024	235,248	22,660	257,908
2025	214,118	15,250	229,368
2026	214,118	9,250	223,368
2027	196,274	3,208	199,482
Total	$ 2,391,386	$ 174,638	$ 2,566,024

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:

E. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 plan consisted of the following at June 30, 2020 and 2019:

	2020	2019
Inactive plan members or beneficiaries currently receiving benefits	182,492	178,748
Inactive plan members entitled to but not yet receiving benefits	942	609
Active plan members	249,045	252,598
Total	432,479	431,955

Contributing Employers – 1,691

For the years ended December 31, 2020 and 2019 the Authority's covered payroll for all employees was $1,583,897 and $1,602,132. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Authority 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. The member contribution rate was 7.50% in State fiscal year 2019 and State fiscal year 2020. Employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability.

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 78% of their actuarially determined contribution and 100% of their NCGIPF contribution for all years of the projection. The 78% contribution rate is the total State contribution rate expected to be paid in fiscal year ending June 30, 2020 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2020 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, 2020 and 2019 consisted of the following:

	2020	2019
Total Regular Billing	$242,198	$213,066

The Authority recognizes liabilities to PERS and records expenses 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 1, 2009 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 – At June 30, 2020, the PERS reported a collective net pension liability of $16,435,616,426 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 $3,610,419 or 0.0221397776%, which was an increase of 0.0002354074% from its proportion measured as of June 30, 2020.

At June 30, 2019, the PERS reported a collective 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%.

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, 2020 and 2019:

	2020	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 65,740	$ 12,768
Changes in assumptions	117,126	1,511,716
Net difference between projected and actual earnings on pension plan investments	123,407	
Changes in proportion	73,550	92,687
Authority contributions subsequent to the measurement date	121,100	
	$ 500,923	$ 1,617,171

	2019	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 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

E. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The $121,100 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Amount
2021	$ (516,846)
2022	(397,720)
2023	(218,805)
2024	(84,695)
2025	(19,282)
Total	$ (1,237,348)

Actuarial Assumptions- The collective pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions:

June 30, 2020 and 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%

E. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% 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 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-2020.

The actuarial assumptions used in the July 1, 2019 and July 1, 2018 valuations 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, 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 rates of return (expected returns, net of pension plan 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, 2020 are summarized in the following table:

E. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

2020

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

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%

Discount Rate – The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020 and 6.28% as of June 30, 2019. 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 and the nonemployer contributing entity will be based on 78% 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine 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 point higher than the current rate:

June 30, 2020

	At 1% Decrease	At Current Discount Rate (7.00%)	At 1% Increase
PERS	$ 4,544,915	$ 3,610,419	$ 2,817,473

June 30, 2019

	At 1% Decrease	At Current Discount Rate (6.28%)	At 1% Increase
PERS	$ 4,985,494	$ 3,946,835	$ 3,071,618

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2020 and 2019 were $29,045,369,302 and $29,847,977,666, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2020 and 2019 was $22,997,176,445 and $23,347,631,751, respectively.

Additional information

Collective Local Group balances at June 30, 2020 are as follows:

Collective deferred outflows of resources	$ 2,347,583,337
Collective deferred inflows of resources	7,849,949,407
Collective net pension liability	16,435,616,426
Authority's Proportion	0.0221397776%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2020 and 2019 was $407,705,399 and $974,471,686, respectively. The average of the expected remaining service lives of all plan members is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

E. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

State Contribution Payable Dates

Prior to July 1, 2019 valuation, it is assumed the State will make pension contributions the June 30^{th} following the valuation date. Effective with the July 1, 2019 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, 2020 and June 30, 2019 are $1,144,889,253 and $1,038,892,124, 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, 2020 and January 1, 2019, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	22	22
Active employees	19	18
Total	41	40

At December 31, 2020 and 2019, funds in the Trust totaled $6,375,922 and $6,471,716, respectively. The covered payroll (annual payroll of active employees covered by the Plan) was $1,583,897 and $1,602,132 for the years ended December 31, 2020 and 2019, respectively.

The net OPEB liability was measured as of January 1, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal, level percent of pay
Investment Rate of Return	1.00 percent per annum, net of investment expenses and including inflation
Health cost trend rates	2.71 percent for 2020 increasing to an ultimate rate of 5.0 percent for 2024 and later years

For the ordinary death component of active mortality, the Pub-2010 General Below-Median Income Employee Income with an 82.2% adjustment for males and a 101.4% adjustment for females. This base mortality table is then projected on a generational basis using the Society of Actuaries' MP-2018 scale with base year 2010.

For inactive mortality, the base mortality table is the Pub-2010 General Below-Median Income Employee Income with a 91.4% adjustment for males and a 99.7% adjustment for females. This base mortality table is then projected on a generational basis using the Society of Actuaries' MP-2018 scale with base year 2010.

For disabled life mortality, the Pub-2010 Non Safety Disabled Retiree Mortality rates with a 127.7% adjustment for males and 117.2% adjustment for females was used. This base mortality table is then projected on a generational basis using the Society of Actuaries' MP-2018 scale with base year 2010.

All mortality tables used are based on assumptions proposed in the latest NJ PERS experience study that was approved by the Board of Trustees on February 19, 2020.

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The discount rate was 3.81% as of December 31, 2018 in the prior valuation. For this valuation, a discount rate of 2.21% was used as of December 31, 2019. 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 1.00% and discounting future benefit payments funded on a pay-as-you-go basis at 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 3.26% as of December 31, 2018 and December 31, 2019, respectively. Using the lower discount rate increased the obligation.

Change in Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Net OPEB liability at beginning of year (12/31/2019)	$ 6,525,322	$ 6,471,716	$ 53,606
Service cost	260,196	-	260,196
Interest	255,160	43,818	211,342
Differences between expected and actual experience	(134,096)	-	(134,096)
Changes of assumptions	(1,176,699)	-	(1,176,699)
Adjustments	-	-	-
Other disbursements	-	-	-
Deposits	-	-	-
Capital gains	-	-	-
Net Investment Income	-	-	-
Benefit payments	(178,499)	(139,112)	(39,387)
Administrative expense	-	(500)	500
Net changes	(973,938)	(95,794)	(878,144)
Net OPEB liability (asset) at end of year (12/31/2020)	$ 5,551,384	$ 6,375,922	$ (824,538)

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

The OPEB expense for 2020 and 2019 was $275,743 and $247,653, respectively.

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The following presents the net OPEB liability (asset), as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage- point higher (3.21 percent) than the current discount rate:

December 31, 2020

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate	Discount Rate 1.21%	Discount Rate 2.21%	Discount Rate 3.21%
Net OPEB Liability	$ 100,393	$ (824,538)	$ (1,557,281)

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)

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

December 31, 2020

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	$ (1,652,708)	$ (824,538)	$ 261,861

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

The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current and future retirees and spouses until 2047. After that time, benefit payments will be funded on a pay-as-you go basis. The discount rates are the single equivalent rates which result 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 at 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, 2020

Deferred Outflows of Resources		
Deferred Outflows as of January 1, 2019	$	233,645
Changes in Assumptions or Other Inputs		41,207
Deferred Outflows as of January 1, 2020	$	192,438

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, 2020

Deferred Inflows of Resources		
Deferred Inflows of Resources as of January 1, 2019	$	(272,049)
Difference between Expected and Actual Experience		(111,465)
Changes in Assumptions or Other Inputs		(982,598)
Deferred Inflows of Resources as of January 1, 2020	$	(1,366,112)

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, 2020 (determined at the beginning of the measurement period) is 7.45 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, 2020 and 2019, include approximately $339,183 and $318,474, 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, 2020 and 2019, the Authority issued $97,657,000 and $371,808,000, respectively, in conduit debt. The amount of conduit debt outstanding at December 31, 2020 and 2019, totaled $5,889,597,000 and $5,995,450,000, respectively. Total assets for the trustee held funds relating to the conduit debt were $5,993,825,000 and $6,100,296,000, for the years ended December 31, 2020 and 2019, respectively. Total liabilities and net position for the trustee held funds relating to the conduit debt were $5,993,825,000 and $6,100,296,000 as of December 31, 2020 and 2019, respectively. Total liabilities and net position for the trustee held funds relating to the conduit debt were $5,993,825,000 and $6,100,296,000 as of December 31, 2020 and 2019, respectively. Regarding the Master Leasing Program, during the years ended December 31, 2020 and 2019, leases entered into totaled $0 and $0, respectively. The amount of lease payments outstanding at December 31, 2020 and 2019, totaled $4,288,000 and $10,857,000, 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, 2020 through December 18, 2021, has a $20 million liability limit with a retention level of $250,000 at a premium cost of $67,811.

K. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the balance sheet date through July 13, 2021, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined the following subsequent events have occurred which require disclosure in the financial statements:

The Authority had made a COVID-19 (coronavirus) Emergency Loan to Salem Medical Center during 2020 in the amount of $1,420,789. A portion of the loan, $200,000, had been repaid in 2020, the Authority had a loans receivable at December 31, 2020 of $1,220,789. As of May 2021, Salem Medical Center has repaid the loan amount in full.

The Authority is seeking to reduce expenses by reducing the size of the leased premises by 1,744 square feet. The reduction in space is justified by the reduction in Authority staff from 26 to 21 over the last several years. Drei Holdings, LLC, the Landlord has agreed to reduce the leased premises from 13,485 square feet to 11,741 square feet and to renew our lease at a rate of $22.50 per square foot for the first five years (from September 24, 2021 through September 23, 2026) with an automatic five-year renewal term (September 24, 2026 through September 23, 2031) unless either party provides notice of cancellation at least 180 days in advance of the automatic renewal date.

K. SUBSEQUENT EVENTS (CONTINUED)

In 2020, the Authority had forgone the collection of interest from the Federally Qualified Health Centers ("FQHC") loan program for twelve months (5/1/2020-4/30/2021). As of the April 2021 billings to the FQHCs, the Authority has resumed collecting interest on the three loans; Lakewood Resource and Referral Center, Inc. 2015, Lakewood Resource and Referral Center, Inc. 2017, and Neighborhood Health Services Corporation.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS OF RETIREE HEALTH PLAN

Schedule of Contributions ($000)										
($000)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ -	$ 79	$ 28	$ 358	$ 564	$ 307	$ 294	$ 280	$ 268	$ 255
Contribution in relation to the actuarially determined contribution	-	(79)	(28)	(358)	(564)	(307)	(294)	(280)	(268)	(255)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	1,584	1,602	1,471	1,517	1,550	1,645	1,714	1,705	1,714	1,720
Contributions as a percentage of covered employee payroll	0.00%	4.94%	1.91%	23.60%	36.39%	18.66%	17.15%	16.42%	15.64%	14.83%

Notes to Schedule:

Valuation Date	January 1, 2020
Measurement Date	January 1, 2020 for Fiscal Year End December 31, 2020 reporting.
Actuarial Cost Method	Entry Age Normal, level percent of pay. Service Costs are attributed through all assumed ages of exit from active service.
Asset Valuation	Market values.
Miscellaneous	The valuation was prepared on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS

	2020	2019
Total OPEB Liability		
Service cost	$ 260,196	$ 265,018
Interest	255,160	236,801
Differences between expected and actual experience	(134,096)	(35,530)
Changes of assumptions or other inputs	(1,176,699)	(277,306)
Benefit payments	(178,499)	(136,996)
Net change in total OPEB liability	(973,938)	51,987
Total OPEB liability-beginning	6,525,322	6,473,335
Total OPEB liability-ending	$ 5,551,384	$ 6,525,322
Plan Fiduciary Net Position		
Net investment income	$ -	$ 138,247
Interest	43,818	102,457
Deposits	-	79,348
Capital gains	-	4,600
Benefit payments	(139,112)	(136,996)
Adjustments	0	(30,258)
Other disbursements	0	(130,405)
Administrative expense	(500)	(500)
Net Change in plan fiduciary net position	(95,794)	26,493
Plan fiduciary net position-beginning	6,471,716	6,445,223
Plan fiduciary net position-ending	$ 6,375,922	$ 6,471,716
Net OPEB Liability (Asset) - ending	$ (824,538)	$ 53,606
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	-14.85%	0.82%
Covered employee payroll	$ 1,583,897	$ 1,602,132
Net OPEB Liability (Asset) as a percentage of covered-employee payroll	-52.06%	3.35%

Notes to Schedule:

Changes in discount rate: The discount rates are 3.81% as of December 31, 2018 and 2.21% as of December 3

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-yea compiled, governments should present information for those years for which information is available.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY - PERS

	2020	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability	0.0221397776%	0.0219043702%	0.0216835200%	0.0218833644%	0.0219413703%	0.0252974240%	0.0246446573%
Proportionate Share of Net Pension Liability	$ 3,610,419	$ 3,946,835	$ 4,269,378	$ 5,094,097	$ 6,498,405	$ 5,678,765	$ 4,614,154
Covered-Employee Payroll	1,583,897	1,602,132	1,470,782	1,517,320	1,549,905	1,644,881	1,714,089
Proportionate Share of Net Pension Liability as a Percentage of Payroll	227.95%	246.35%	290.28%	335.73%	419.28%	345.24%	269.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.32%	56.27%	53.60%	48.10%	40.08%	47.93%	52.08%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years which information is available.

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PERS

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 242,198	$ 213,066	$ 215,681	$ 196,999	$ 217,490	$ 203,167	$ 164,448
Contribution in Relation to the Contractually Required Contribution	242,198	213,066	215,681	196,999	217,490	203,167	164,448
	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 1,583,897	$ 1,602,132	$ 1,470,782	$ 1,517,320	$ 1,549,905	$ 1,644,881	$ 1,714,089
Contributions as a Percentage of Covered-Employee Payroll	15.29%	13.30%	14.66%	12.98%	14.03%	12.35%	9.59%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years which information is available.

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, 2020 AND 2019

	2020	2019
	($000)	($000)
Assets		
Loans receivable, net	$ 4,968,663	$ 4,937,112
Capital asset program notes receivable, net	33,014	29,429
Lease receivable	213,685	225,315
State contract bonds receivable	164,090	170,475
Construction/program accounts		
Cash and cash equivalents	425,239	540,266
Investments	12	457
Prepaid expenses	21	21
Debt service accounts		
Cash and cash equivalents	137,372	125,972
Investments	2	2,296
Receivable from master trustee/institution	4,994	8,865
Debt service reserve accounts		
Cash and cash equivalents	26,946	27,951
Investments	15,499	21,280
Master lease funds		
Lease payments receivable, net	4,288	10,857
Total assets	$ 5,993,825	$ 6,100,296
Liabilities and net position		
Bonds payable	$ 5,889,598	$ 5,995,450
Accrued interest payable	99,256	93,353
Accrued expenses	65	65
Master lease payable	4,288	10,857
Capital Asset Program net position	618	571
	$ 5,993,825	$ 6,100,296

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

STATEMENTS OF CASH FLOWS FOR TRUSTEE HELD FUNDS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
	($000)	($000)
Cash flows from operating activities		
Payments received from institutions under agreements	$ 356,428	$ 329,672
Disbursements for construction/acquisition and issuance expense	(174,410)	(400,726)
Other disbursements	103,168	27,661
Net cash from operating activities	285,186	(43,393)
Cash flows from capital and related financing activities		
Payments received from institutions under lease/sublease agreements	6,712	3,647
Payments made under lease/sublease agreements	(6,569)	(3,530)
Principal/premium paid on master lease	(143)	(117)
Net cash from capital and related financing activities	-	-
Cash flows from noncapital financing activities		
Face amount of revenue bonds	44,636	704,916
Accrued interest to date of delivery	-	(732)
Refunding of pre-existing debt/escrows fund deposit	-	728
Net proceeds from sale of revenue bonds	44,636	704,912
Principal/premium paid on revenue bonds	(200,235)	(248,875)
Interest paid on revenue bonds	(245,059)	(244,092)
Net cash from noncapital financing activities	(400,658)	211,945
Cash flows from investing activities		
Net investment in securities	7,007	13,749
Interest on investments	3,833	7,926
Net cash from investing activities	10,840	21,675
Net (decrease) increase in cash and cash equivalents	(104,632)	190,227
Cash and cash equivalents, beginning of year	694,189	503,962
Cash and cash equivalents, end of year	$ 589,557	$ 694,189
Construction/program accounts	$ 425,239	$ 540,266
Debt service accounts	137,372	125,972
Debt service reserve accounts	26,946	27,951
	$ 589,557	$ 694,189

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.

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)

As of December 31, 2020 and 2019, mortgages and loans receivable were:

	2020 ($000)	2019 ($000)
Mortgages		
Total mortgages receivable	$ -	$ -
Loans		
Secured by pledge of collateral with trustees:		
Christian Health Care Center	$ 4,595	$ 4,800
Bartley Assisted Living, LLC	3,544	3,752
Meridian Hospitals Corporation (currently Hackensack Meridian Health)	12,435	12,905
Wiley Mission Project	6,767	7,653
The Matheny School and Hospital	600	800
Virtua Health, Inc.	45,080	46,940
MHAC I, LLC (currently Hackensack Meridian Health)	21,005	22,215
Southern Ocean County Hospital (currently Hackensack Meridian Health)	13,800	14,220
St. Ann's Home for the Aged	9,702	9,975
Bridgeway Assisted Living	-	3,560
Samaritan Healthcare and Hospice	6,874	7,129
University Hospital	254,975	254,975
RWJ Barnabas (REISSUE)	7,829	8,208
Village Drive Health Care	23,000	23,000

NOTES TO SUPPLEMENTARY INFORMATION

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

	2020 ($000)	2019 ($000)
Loans (Continued)		
Secured by pledge of gross receipts under Master Trust Indenture:		
Hackensack Medical Center		
(currently Hackensack Meridian Health)	$ 69,967	$ 72,724
Saint Peter's Medical Center		
(currently Saint Peter's University Hospital)	128,220	133,770
Hunterdon Medical Center	111,458	62,990
Shore Memorial Health Care System	44,510	49,075
St. Joseph's Hospital and Medical Center Obligated Group	230,265	234,230
AHS Hospital Corporation	373,230	383,765
Christian Health Care Center	12,590	13,780
CentraState Medical Center Obligated Group	62,200	66,020
Virtua Health, Inc.	501,565	512,170
Meridian Health System Obligated Group		
(currently Hackensack Meridian Health)	401,030	419,496
Trinitas Hospital Obligated Group	73,680	79,260
The House of the Good Shepherd	9,480	10,220
Princeton Healthcare System	253,400	258,660
Holy Name Medical Center	66,275	77,655
Robert Wood Johnson Hospital		
(currently RWJ Barnabas Health, Inc.)	156,300	158,440
Barnabas Health, Inc.		
(currently RWJ Barnabas Health, Inc.)	220,175	220,175
St. Luke's Warren Hospital Obligated Group	37,410	37,410
Deborah Heart and Lung Center Obligated Group	4,277	6,144
Inspira Health Obligated Group	469,975	479,130
RWJ Barnabas Health Obligated Group	907,455	909,215
Hackensack Meridian Health	573,625	588,790
Valley Health System	344,530	356,410
Total loans receivable	5,461,823	5,549,660
Total mortgages and loans receivable	5,461,823	5,549,660
Less cash and investments held by trustees	493,160	612,548
Mortgages and loans receivable, net	$ 4,968,663	$ 4,937,112

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, 2020 and 2019, Capital Asset Program notes receivable were:

	2020 ($000)	2019 ($000)
CentraState Medical Center	$ -	$ 1,000
Hackensack Meridian Health, Inc.	21,214	25,071
John Brooks Recovery Center	11,800	3,358
Total Capital Asset Program notes receivable	$ 33,014	$ 29,429

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 of December 31, 2020 and 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.

	2020 ($000)	2019 ($000)
Greystone Park Psychiatric Hospital	$ 150,635	$ 161,000
Marlboro Psychiatric Hospital	63,050	64,315
Total Lease Receivable	$ 213,685	$ 225,315

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, 2020 and 2019, State contract bonds receivable were as follows:

G. STATE CONTRACT BONDS RECEIVABLE (CONTINUED)

	2020 ($000)	2019 ($000)
State Contract Refunding Bonds (HATP)	$ 164,090	$ 170,475
Total State contract bonds receivable	$ 164,090	$ 170,475

H. MASTER LEASE PAYABLE

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, 2020 and 2019, Master Lease payables were as follows:

	2020 ($000)	2019 ($000)
St. Barnabas Medical Center	$ 1,012	$ 1,992
Monmouth Medical Center	-	53
Englewood Hospital & Medical Center	3,276	8,812
Total Master Lease receivable	4,288	10,857
Less cash and investments held by trustee	-	-
Net Master Lease payable	$ 4,288	$ 10,857

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

NOTES TO SUPPLEMENTARY INFORMATION

I. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The components of cash and cash equivalents and investments at December 31, 2020 and 2019, are as follows:

	2020 ($000)	2019 ($000)
Cash and cash equivalents		
Money Market Funds (which includes New Jersey Cash Management Fund)	$ 589,557	$ 694,189
Investments		
Investment agreements collateralized	-	5,845
U.S. Treasury and Agency obligations	15,513	18,188
Total cash and cash equivalents and investments	$ 605,070	$ 718,222

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, 2020	Amount Outstanding December 31, 2019
Revenue bonds			($000)	($000)
Public issues				
Christian Health Care Center, Series 1997 B	2028	Weekly variable rate	$ 4,400	$ 4,800
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	600	800
Meridian Nursing and Rehab, Series 2004 A-3	2035	Weekly variable rate	8,935	9,405
Virtua Health, Series 2004	2033	Weekly variable rate	45,080	46,940
Christian Health Care Center, Series 2005 A-2	2035	Weekly variable rate	4,595	4,800
Southern Ocean County Hospital, Series 2006	2036	Weekly variable rate	13,800	14,220

(*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, 2020	Amount Outstanding December 31, 2019
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	10,090	11,300
MHAC I, LLC, Series 2006 A-5	2036	Weekly variable rate	10,915	10,915
Saint Peter's University Hospital Obligated Group, Series 2007	2037	5.25 - 5.75	58,170	59,245
AHS Hospital Corp., Series 2008 A	2027	5.00	3,580	4,035
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	8,190	8,980
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
*Holy Name Medical Center, Series 2010	2025	3.00 - 5.00	-	28,715
AHS Hospital Corporation, Series 2011	2041	4.00 - 6.00	410	800
Saint Peter's University Hospital Obligated Group, Series 2011	2035	5.00 - 6.25	70,050	74,525

(*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, 2020	Amount Outstanding December 31, 2019
Revenue bonds			($000)	($000)
Public issues (continued)				
		Weekly		
Meridian Health System, Series 2011	2027	2.00 - 5.00	$ 91,125	$ 101,755
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	99,905	110,270
Marlboro Psychiatric Hospital Project, Series 2013	2033	3.00 - 5.00	63,050	64,315
Meridian Health System Obligated Group, Series 2013A	2032	4.00 - 5.00	21,230	22,100
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	100,375	102,515
Virtua Health, Series 2013	2029	3.00 - 5.00	116,760	121,735
RWJ University Hospital, Series 2014A	2043	5.00	55,925	55,925
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	14,305	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	168,400	173,660
Inspira Health Obligated Group, Series 2016A	2036	2.00 - 5.00	150,145	157,400
St. Joseph's Healthcare System, Series 2016	2036	3.00 - 5.00	230,265	234,230
Trinitas Regional Medical Center Obligated Group, Series 2016A	2030	4.00 - 5.00	10,910	11,735
AHS Hospital Corp, Series 2016	2036	3.00 - 5.00	192,130	201,820
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	62,770	67,525
Hackensack Meridian Health, Series 2017	2057	2.50 - 5.00	573,625	588,790
Inspira Health Obligated Group, Series 2017A	2037	2.00 - 5.00	262,830	263,730
State Contract Refunding Bonds (HATP), Series 2017	2038	5.00	164,090	170,475
RWJ Barnabas Health Obligated Group, Series 2019A	2029	5.00	17,490	19,250
RWJ Barnabas Health Obligated Group, Series 2019B-1	2043	5.00	69,725	69,725
RWJ Barnabas Health Obligated Group, Series 2019B-2	2042	5.00	70,555	70,555
RWJ Barnabas Health Obligated Group, Series 2019B-3	2045	5.00	70,550	70,550
Valley Health System Obligated Group, Series 2019	2039	3.00 - 5.00	344,530	356,410
Hunterdon Medical Center Obligated Group, Series 2020A	2050	2.56 - 3.511	44,460	-
Total public issues			4,902,000	5,024,720

(*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, 2020 ($000)	Amount Outstanding December 31, 2019 ($000)
Private placements				
Bartley Assisted Living LLC, Series 2000	2025	variable rate	$ 3,544	$ 3,752
St. Ann's Home for the Aged, Series 2010	2040	Indexed rate	9,702	9,975
Bridgeway Assisted Living LLC., Series 2010	2020	Indexed rate	-	3,560
House of the Good Shepherd Obligated Group, Series 2012	2031	2.54 to 2022, 4.41 after	9,480	10,220
Wiley Mission, Series 2012 Lot A	2029	Monthly variable rate	6,290	6,907
Wiley Mission, Series 2012 Lot B	2022	Monthly variable rate	477	746
Deborah Heart & Lung Center, Obligated Group, Series 2014	2023	4.28	4,277	6,144
CentraState Medical Center, Obligated Group, Series 2014A	2028	2.97	23,745	26,335
CentraState Medical Center, Obligated Group, Series 2014C	2029	3.00	6,355	7,015
Hunterdon Medical Center, Series 2014B	2029	2.44	14,806	16,260
Hunterdon Medical Center, Series 2014D	2034	indexed rate	3,789	3,995
Hackensack University Med. Ctr., Ob. Grp., Series 2015A	2040	2.38	69,967	72,725
Samaritan Healthcare and Hospice, Series 2015	2040	2.6500	6,874	7,129
Meridian Health System Obligated Group, Series 2015A	2045	2.5000	107,972	112,306
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	120,703	123,335
Holy Name Medical Center Obligated Group, Series 2016A	2030	2.63	36,680	37,430
Holy Name Medical Center Obligated Group, Series 2016B	2026	2.45	10,495	11,510
RWJ Barnabus, Series 2017A (Reissue)	2036	3.23	7,829	8,208
Insprira Health Obligated Group, Series 2017B	2042	Monthly variable rate	57,000	58,000
Centrastate Medical Center Obligated Group, Series 2017A	2037	3.26	32,100	32,670
Village Drive Health Care Urban Renewal Issue, Series 2018	2038	5.75	23,000	23,000
Virtua Health, Series 2019	2038	3.20	199,805	205,435
Shore Memorial Obligated Group, Series 2019	2039	2.21	44,511	49,073
Holy Name Medical Center Obligated Group, Series 2020	2025	2.25	19,100	-
Hunterdon Medical Center Obligated Group, Series 2020B	2045	1.41	34,097	-
Total private placements			937,598	920,730
Capital asset program				
Total Capital Asset Program, Series A & B	2035		50,000	50,000
Total bonds payable			$ 5,889,598	$ 5,995,450
Master Leases				
Monmouth Medical Center, Dated January 13, 2015	2020	1.53	$ -	$ 55
St. Barnabas Medical Center, Dated April 17, 2015	2022	2.02	966	1,674
St. Barnabas Medical Center, Dated February 25, 2016	2021	1.46	46	317
Englewood Hospital & Medical Center, Dated July 28, 2016	2028	1.79	3,276	8,811
Total master leases			4,288	10,857
Total revenue bonds, equipment revenue notes and master leases			$ 5,893,886	$ 6,006,307

(*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 ($000)	Interest ($000)	Total ($000)
2021	$ 164,910	$ 242,504	$ 407,414
2022	181,533	236,048	417,581
2023	189,518	227,840	417,358
2024	201,661	217,810	419,471
2025	264,093	205,157	469,250
2026-2030	1,054,951	858,341	1,913,292
2031-2035	1,320,008	613,991	1,933,999
2036-2040	1,356,183	363,121	1,719,304
2041-2045	889,124	131,967	1,021,091
2046-2050	213,165	32,724	245,889
2051-2055	39,855	11,024	50,879
2056-2058	18,885	1,467	20,352
	$ 5,893,886	$ 3,141,994	$ 9,035,880

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, 2020.

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, 2020 and 2019, 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 2021 (interest only)	$ 4,102,250
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	$ 249,337,250

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, 2020 and 2019, by issue, is as follows:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2020	Amount Outstanding December 31, 2019
Defeased public issues			($000)	($000)
St. Clare's Hospital, Inc. Series 2004 A	2025	4.25 - 5.25	$ 32,990	$ 38,640
Saint Barnabas Health Care System, Series 1998B	2023	0.00	17,770	21,426
Robert Wood Johnson University Hospital, Series 2010	2020	2.00 - 5.00	-	88,600
Barnabas Health, Series 2011A	2021	3.00 - 5.75	200,145	225,300
Hackensack University Medical Center, Series 2010 (currently Hackensack Meridian Health)	2020	4.00 - 5.00	-	56,820
Hackensack University Medical Center, Series 2010B (currently Hackensack Meridian Health)	2020	4.00 - 5.00	-	75,450
Kennedy Health System, Series 2012	2022	2.00 - 5.00	52,595	54,935
Palisades Medical Center, Series 2013 (currently Hackensack Meridian Health)	2023	3.15 - 5.00	38,235	39,635
Total defeased public issues			341,735	683,231
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
Partially defeased private placement issues				
Hunterdon Medical Center Obl. Grp., Series 2014A	2034	2.5	28,430	-
Total partially defeased private placement issues			28,430	-
Total defeased issues			$ 490,280	$ 803,346

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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 13, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 financial statements. 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 13, 2021