Financial Statements and Supplemental Financial Information

New Jersey Health Care Facilities Financing Authority
(A Component Unit of the State of New Jersey)
December 31, 2009 and 2008

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

Financial Statements and Supplemental Financial Information

December 31, 2009 and 2008

Contents

Ernst & Young LLP
99 Wood Avenue South
Iselin, NJ 08830-0471
Tel: +1 732 516 4200
www.ey.com

Report of Independent Auditors

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

We have audited the accompanying balance sheets of the New Jersey Health Care Facilities Financing Authority, a component unit of the State of New Jersey, as of December 31, 2009 and 2008 and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at December 31, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the schedule of funding progress, on pages 3 to 8, and page 24, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

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

Ernst + Young LLP

February 26, 2010

This section of the New Jersey Health Care Facilities Financing Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2009. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

The Authority's total net assets increased $255,000 or 3.0%
Cash and Cash Equivalents increased $1,419,000 or 44.5%
Operating Revenue decreased $105,000 or 2.7%
Operating Expenses decreased $13,000 or 0.4%
Operating Income decreased $92,000 or 36.8%

Overview of the Financial Statements

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

Financial Analysis of the Authority

Net Assets – The following table presents the changes in net assets between December 31, 2009, 2008 and 2007:

	2009	**2008**	**2007**	**Increase/ (Decrease) 2008-2009**	**Increase/ (Decrease) 2008-2009**
	($000)	**($000)**	**($000)**	**($000)**	**(%)**
Current assets	**$ 9,155**	$ 8,247	$ 7,809	$ 908	11.0%
Noncurrent assets	**1,204**	1,745	2,287	(541)	(31.0)
Total assets	**10,359**	9,992	10,096	367	3.7
Current liabilities	**1,648**	1,536	1,411	112	7.3
Noncurrent liabilities	–	–	952	n/a	n/a
Total liabilities	**1,648**	1,536	2,363	112	7.3
Total net assets	**$ 8,711**	$ 8,456	$ 7,733	$ 255	3.0%

Current Assets are comprised of Cash and Cash Equivalents, Administrative Fees and Other Receivables, a Note Receivable, Note Interest Receivable and Prepaid Expenses. Current Assets increased 11% from December 31, 2008 to December 31, 2009. As of December 31, 2009, the majority of the Cash and Cash Equivalents were held in the New Jersey Cash Management Fund, a liquid short-term investment vehicle. The yield on the New Jersey Cash Management Fund at December 31, 2009 and 2008 was 0.34% and 1.32%, respectively. Overall, Cash and Cash Equivalents increased $1,419,000. The increase was due in part to the fact that in 2008, $3,738,403 was transferred from the Authority's Operating account to the Post-Retirement Health Benefits Trust established by the Authority in 2008 in order to fully fund the trust and satisfy the Authority's present and future liabilities and as such no transfer was needed to be made in 2009. In addition, the Authority continues to receive repayment on its Note Receivable. It should be noted that of the $4,608,000 in cash and cash equivalents, $2,000,000 has been designated to the Federally Qualified Health Centers (FQHC) loan program as further described in Note 11 to the financial statements. Regarding the Note Receivable in the amounts of $500,000, as of December 31, 2009 and 2008, the amounts represent the current portion of the loan outstanding to Bayonne Medical Center/IJKG Propco LLC. The receivable is further described in Note 10 to the financial statements. Administrative Fees and Other Receivables primarily represent the Authority's semi-annual fee billings that were disseminated on December 31, 2009 and 2008 in the amounts of $1,879,775 and $1,908,179, respectively, and represents a decrease of $28,404. The decrease is due to the slowdown in Authority new financing activity from the 2nd half of 2008 through 2009 as a result of the economic crisis/recession that not only impacted the Authority and the health care institutions but also the bond markets. Concerning the Other Receivables, the receivable for Trustee Fees decreased $53,701. This receivable fluctuates from year to year depending on the timing of invoices received from the Trustee and the timing of the payments received from the health care institutions with which the Authority has outstanding debt.

When comparing Current Assets as of December 31, 2008 to December 31, 2007, Current Assets increased 5.6%. The increase in current assets during this period was due in part to the prepaid expense that was established upon the transfer of funds from the Authority's Operating account to the Post-Retirement Health Benefits Trust. The prepaid recorded for the trust totaled $2,398,000. Looking at Cash and Cash Equivalents during this period, there was a decrease of $2,052,000 or 39.2% due again to the establishment of the trust.

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 that portion of the note receivable outstanding from Bayonne Medical Center/IJKG Propco LLC that exceeds one year as further described in Note 10 to the financial statements. In 2009, noncurrent assets decreased due in part to the time period remaining on the note receivable. Capital Assets purchased in 2009 included replacement computers and the upgrading of the telephone system offset by the auction of one of the Authority's 2005 vehicles.

Noncurrent assets at December 31, 2008 decreased $542,000 when compared to December 31, 2007. Again, the decrease is due to the time period remaining on the note receivable. Capital Assets purchased in 2008 included replacement computers and one replacement vehicle.

Current Liabilities in 2009 are comprised of Accounts Payable, Accrued Expenses and Deferred Revenue. Accounts Payable and Accrued Expenses increased $21,000 or 4.7% compared to December 31, 2008. This was due in part to the increase in the Authority's pension expense, legal fees and cost associated with a client institutions bankruptcy and legal fees associated with the creation of the FQHC loan program. The increase in the Accounts Payable and Accrued Expenses was somewhat offset by the decrease in the Trustee Fees payable which is the offset of the Trustee Fee receivable described previously under current assets. Deferred Revenue increased $91,000 or 8.4% compared to December 31, 2008. It represents the semi-annual fees billed on December 31, 2009 and 2008 which cover the periods January 1, 2010 to June 30, 2010 and January 1, 2009 to June 30, 2009, respectively. Financings completed since January 1, 2003 are billable in advance.

Current Liabilities in 2008 increased $125,000 or 8.9% compared to December 31, 2007. Accounts Payable and Accrued Expenses increased $66,000 or 17.2% due in part to the increase in the Authority's employer pension expense and the percentage due increasing from 80% to 100%. In addition, Deferred Revenue increased $59,000 or 5.7%.

Changes in Net Assets – The following table represents the changes in net assets between fiscal years 2009, 2008 and 2007:

	2009	2008	2007	Increase/ (Decrease) 2008-2009	Increase/ (Decrease) 2008-2009
	($000)	($000)	($000)	($000)	(%)
Operating revenues:					
Administrative fees:					
Annual fees	**$ 3,640**	$ 3,658	$ 4,428	$ (18)	(0.5)%
Initial fees	**58**	122	–	(64)	(52.5)
Per Series fees	**55**	80	–	(25)	(31.3)
Capital asset application fees	**-**	2	1	(2)	(100.0)
Mortgage servicing and Section 142 (d) fees	**67**	63	64	4	6.3
Total operating revenues	**3,820**	3,925	4,493	(105)	(2.7)
Operating expenses:					
Salaries and related expenses	**2,393**	2,468	2,343	(75)	(3.0)
General and administrative	**560**	572	623	(12)	(2.1)
Provision for postemployment benefits	**413**	388	354	25	6.4
Professional fees and other	**287**	246	1,045	41	16.7
Bad debt expense	**9**	1	37	8	800.0
Total operating expenses	**3,662**	3,675	4,402	(13)	(0.4)
Operating income	**158**	250	91	(92)	(36.8)
Nonoperating revenues:					
Interest income	**77**	242	414	(165)	(68.2)
Other	**20**	231	14	(211)	(91.3)
Total nonoperating revenues	**97**	473	428	(376)	(79.5)
Change in net assets	**255**	723	519	(468)	(64.7)
Net assets, beginning of year	**8,456**	7,733	7,214	723	9.3
Net assets, end of year	**$ 8,711**	$ 8,456	$ 7,733	$ 255	3.0%

The Authority's Net Assets increased $255,000 or 3.0% from the end of calendar year 2008 to December 31, 2009. However, when comparing the Change in Net Assets amount to the prior year, there was a decrease of $468,000 or 64.7% from 2008 to 2009. The decreases in operating revenues and nonoperating revenues are the main reason for the decrease in the Authority's Change in Net Assets. These decreases are described in the Operating revenue and nonoperating revenue sections below.

By contrast, the Authority's Net Assets increased $723,000 or 9.3% from the end of calendar year 2007 to December 31, 2008. When comparing the Change in Net Assets amount, there was an increase of $204,000 or 39.3% from 2007 to 2008.

Operating Revenues - During 2009, total Operating Revenues decreased $105,000 or 2.7%. Annual Fees, Initial Fees and Per Series Fees decreased $18,000, $64,000 and $25,000, respectively when compared to 2008. Concerning all three fee categories, the decreases are attributable to a slowdown in financing activity due to the economic crisis/recession.

When compared to 2007, Operating Revenues during 2008 decreased $568,000 or 12.6%. During 2008, Annual Fees decreased $770,000 while Initial Fees and Per Series Fees increased $122,000 and $80,000, respectively when compared to 2007. Concerning Annual Fees, part of the decrease was attributable to a change in the Authority's fee structure which took effect January 1, 2008. Prior to the change, the Authority collected an upfront fee equal to one-half the annual fee upon the execution of a Memorandum of Understanding (MOU). This upfront fee was replaced with an Initial Fee and one Per Series Fee. Any additional Per Series fees are collected upon completion of a financing. For informational purposes only, in 2007, $479,625 in first half annual fees were received upon the execution of sixteen (16) MOU's with a total estimated bond size of $1,854,000,000. Regarding annual fee billings, the Authority recorded revenue from the annual fee billings totaling $3,658,393 in 2008 compared to $3,948,262 in 2007 or a decrease of $289,869. The decrease in billings was due in part to the refinancing of several series of auction rate bonds into one series, the fee calculation being based on the declining outstanding balance and a slowdown in financing activity due to the economic crisis/recession.

Operating Expenses – During 2009, operating expenses decreased $13,000 or 0.4% when compared to 2008. The main area of decrease in operating expenses was in Salaries and Related Expenses due to a change in the composition of staff during 2009. Another area of decrease was in General and Administrative expenses due in part to a slowdown in financing activity. Offsetting the decrease were increases in the areas of Professional Fees, Provision for Postemployment Benefits and Bad Debt expense. Professional Fees have increased due to the legal fees and costs associated with a client institutions bankruptcy and legal fees associated with the creation of the FQHC loan program. Provision for Postemployment Benefits increased due to the actuarial calculated Annual Required Contribution (ARC). Finally, Bad Debt expense in 2009 represents a portion of the annual fee that has been deemed uncollectible due to the client institution that is in bankruptcy. Bad Debt expense, in 2008, was for one (1) mortgage servicing fee which was uncollectible due to the bankruptcy and closure of another client institution.

When compared to 2007, Operating Expenses during 2008 decreased $727,000 or 16.5%. The main area of decrease was in Professional Fees. In 2007, the Authority incurred expenditures for the consultant that was hired to assist the Commission on Rationalizing Health Care Resources in New Jersey that was established by Governor Corzine. The consultants work occurred in 2007 and their professional fees along with other expenses associated with the work of Commission totaled $705,000. Other areas of decrease were in General and Administrative and Bad Debt expense. Concerning Bad Debt expense, in 2007 annual fees for two (2) client institutions were deemed uncollectible due to their financial distress.

Nonoperating Revenues – Interest income in 2009 and 2008 represented interest earned on the Authority's checking accounts and the operating funds invested in the New Jersey Cash Management Fund totaling $28,000 in 2009 and $135,000 in 2008. In addition, interest was earned on the Note Receivable totaling $49,000 in 2009 and $107,000 in 2008, which is further described in Note 10 to the financial statements. Concerning interest exclusive of the interest on the note, interest decreased due to the transfer of $3,738,403 in 2008 to the Post-Retirement Health Benefits Trust and the continued decrease in the monthly New Jersey Cash Management yield through December 31, 2009. In addition, the average amount of Authority funds held in the fund during 2009 and 2008 were $4,544,332 and $5,469,231, respectively or a decrease of $924,899. Regarding Other Income, there was a decrease of $211,000 or 91.3%. In 2009, $4,000 was received through New Jersey's Alternative Fuel Vehicle Rebate Program for the Authority's 2008 Toyota Prius Hybrid, $10,500 was received from the auction of one of the Authority's 2005 vehicles and $5,000 was received from an institution for a TEFRA hearing the Authority had to conduct for a financing that was being done by an out of state authority that would be using proceeds for a health care institution in New Jersey. By contrast in 2008, two main receipts made up the $231,000 that was received. One, the Authority received $159,000 from the Mortgage Insurance Premium escrow held by the Authority, as servicer for an FHA-Insured client institution that went bankrupt and closed. The funds were transferred to the Authority's Operating account after Special Bankruptcy Counsel opined "that after reviewing the Regulations and the Department of Housing and Urban Development's (HUD's) handling of the claim, the funds held in escrow belong to the Authority." Second, $60,000 that was paid by the Authority to Special Bankruptcy Counsel in 2007 for work on the bankruptcy was reimbursed to the Authority out of the remaining trustee held funds.

When compared to 2007, Nonoperating Revenues during 2008 increased $45,000 or 10.5%. Interest income decreased $172,000 while Other income increased $217,000. Interest earned in 2008 totaled $242,000 as described above. By contrast, interest earned in 2007 totaled $414,000 and it represented interest earned on the Authority's checking accounts and the operating funds invested in the New Jersey Cash Management Fund totaling $374,000 and interest on the Note Receivable totaling $40,000. The yield and the average amount of funds invested in New Jersey Cash Management were greater in 2007 than in 2008. The average amount of funds the Authority invested in New Jersey Cash Management in 2007 totaled $7,163,466. Other income increased as described above.

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)

Balance Sheets

	December 31 2009	December 31 2008
	($000)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 4,608**	$ 3,189
Administrative fees and other receivables	**1,951**	2,033
Note receivable	**500**	500
Note interest receivable	**3**	6
Prepaid expenses	**2,093**	2,519
Total current assets	**9,155**	8,247
Noncurrent assets:		
Note receivable	**1,083**	1,583
Capital assets	**769**	798
Less accumulated depreciation	**(648)**	(636)
Total noncurrent assets	**1,204**	1,745
Total assets	**$ 10,359**	$ 9,992
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 470**	$ 449
Deferred revenue	**1,178**	1,087
Total current liabilities	**1,648**	1,536
Net assets:		
Unrestricted:		
Undesignated	**6,590**	8,294
Designated – FQHC Loan Program	**2,000**	–
Invested in capital assets	**121**	162
	8,711	8,456
Total liabilities and net assets	**$ 10,359**	$ 9,992

See accompanying notes.

New Jersey Health Care Facilities Financing Authority

(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses and Changes in Fund Net Assets

	Year Ended December 31	
	2009	**2008**
	($000)	
Operating revenues:		
Administrative fees:		
Annual fees	**$ 3,640**	$ 3,658
Initial fees	**58**	122
Per series fees	**55**	80
Capital asset program application fees	**–**	2
Mortgage servicing fees	**42**	38
Section 142 (d) fees	**25**	25
Total operating revenues	**3,820**	3,925
Operating expenses:		
Salaries and related expenses	**2,393**	2,468
General and administrative expenses	**560**	572
Professional fees	**218**	166
Provision for postemployment benefits	**413**	388
Depreciation	**69**	80
Bad debt expense	**9**	1
Total operating expenses	**3,662**	3,675
Operating income	**158**	250
Nonoperating revenues:		
Interest income from investments	**28**	135
Other income	**9**	231
Note interest income	**49**	107
Gain on disposal of assets	**11**	–
Total nonoperating revenues	**97**	473
Changes in net assets	**255**	723
Net assets, beginning of year	**8,456**	7,733
Net assets, end of year	**$ 8,711**	$ 8,456

See accompanying notes.

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

Statements of Cash Flows

	Year Ended December 31	
	2009	**2008**
	($000)	
Cash flows from operating activities		
Cash received from customers	**$ 3,993**	$ 3,962
Cash payment to suppliers and employees	**(3,146)**	(3,138)
Cash payment to postemployment health benefits trust	**–**	(3,738)
Net cash provided by (used in) operating activities	**847**	(2,914)
Cash flows from capital and related financing activities		
Acquisition of capital assets	**(28)**	(37)
Cash received on disposal of asset	**11**	–
Net cash used in capital and related financing activities	**(17)**	(37)
Cash flows from noncapital financing activities		
Other	**9**	231
Note repaid from client institution	**500**	417
Interest received on note	**52**	116
Net cash provided by noncapital financial activities	**561**	764
Cash flows from investing activities		
Investment income	**28**	135
Net cash provided by investing activities	**28**	135
Net increase (decrease) in cash and cash equivalents	**1,419**	(2,052)
Cash and cash equivalents, beginning of year	**3,189**	5,241
Cash and cash equivalents, end of year	**$ 4,608**	$ 3,189
Operating income	**$ 158**	$ 250
Adjustments:		
Depreciation	**69**	80
Changes in assets and liabilities:		
Accounts receivable	**82**	(22)
Prepaid expenses	**426**	(2,395)
Deferred revenue	**91**	59
Accounts payable	**21**	66
Liability for postemployment benefits	**–**	(952)
Total adjustments	**689**	(3,164)
Net cash provided by (used in) operating activities	**$ 847**	$ (2,914)

See accompanying notes.

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

Notes to Financial Statements

December 31, 2009

1. 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 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. 26:2I:1, *et seq*. (the Act). The Authority is empowered to provide financing for health care organizations located in the State. The Authority is a component unit as reflected in the comprehensive annual financial report of the State of New Jersey.

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

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.

1. Organization (continued)

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

The Authority is exempt from both federal and state taxes.

2. Summary of Significant Accounting Policies

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

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed by the Authority to the extent that those standards do not conflict with or contradict guidance of the GASB.

Operating Revenues and Expenses – Operating revenues and expenses result from providing services to various health care organizations in connection with the issuance of bonds. The Authority's principal operating revenues are the administrative fees that it charges these entities as further explained below. 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.

Administrative Fees – The Authority charges an upfront fee comprised of an initial fee and per series fee to those health care organizations that have executed a Memorandum of Understanding signifying the organization's intentions to have the Authority finance a project through the issuance of bonds and/or notes. 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

2. Summary of Significant Accounting Policies (continued)

Loan. An annual fee is also charged to those health care organizations for which bond and note sales have been completed. Such fees are charged for the processing of project costs, investment management of bond proceeds, monitoring of financial performance and other services provided to organizations to which it lends the proceeds of its bonds and notes. The fees are used to provide sufficient funds to ensure that the Authority's operating expenses will be met, and that sufficient funds will be available to provide for the Authority's needs, including, but not limited to the coverage of Authority members' legal liability as a result of official actions; and research and development costs consistent with the Authority's legislation.

Mortgage Servicing Fees – The Authority charges a fee in accordance with the servicing agreement for those issues for which the Authority has assumed the mortgage servicing function.

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

Depreciation – 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 less than ninety days as cash and cash equivalents. Cash equivalents consist of the Authority's checking account and units of the State of New Jersey Cash Management Fund.

Investments – Investments are recorded at fair value based upon current market quotations.

3. Cash and Investments

The components of cash and investments at December 31, 2009 and 2008 are:

	2009	2008
	(000's)	
Cash and cash equivalents:		
Operating checking account	**$ 2**	$ 1
New Jersey Cash Management Fund	**4,606**	3,188
Total cash and cash equivalents	**$ 4,608**	$ 3,189

The Authority's bank balance at December 31, 2009 and 2008 amounted to $54,356 and $39,329, respectively, all of which was covered by FDIC insurance.

The Authority's investment policy permits the following securities and investment vehicles; (i) Obligations of or guaranteed by the State of New Jersey or the United States of America (including obligations which have been stripped of their unmatured interest coupons, and interest coupons which have been stripped from such obligations); (ii) Obligations issued or guaranteed by any instrumentality or agency of the United States of America, whether now existing or hereafter organized; (iii) Obligations issued or guaranteed by any State of the United States or District of Columbia, so long as such obligations are rated at the time of purchase in either of the highest two credit rating categories by any two nationally recognized securities rating agencies; (iv) Repurchase agreements and guaranteed investment contracts with any banking institution, where such agreement or contract is fully secured by obligations of the kind specified in (i), (ii) or (iii) above, provided that such security is held by a third party and that the seller of such obligations represents that such obligations are free and clear of claims by any other party; (v) Interest-bearing deposits in any bank or trust company provided that all such deposits shall, to the extent not insured, be secured by a pledge of obligations of the kind in (i), (ii) or (iii); (vi) Units of participation in the New Jersey Cash Management Fund, or any similar common trust fund which is established pursuant to law as a legal depository of public moneys and for which the New Jersey State Treasurer is custodian; and (vii) Shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, and which (1) invests its assets exclusively in obligations of or guaranteed by the United States of America or any instrumentality or agency thereof having in each instance a final maturity date of less than one year from their date of purchase; (2) seeks to maintain a constant

3. Cash and Investments (continued)

net asset value per share; and (3) has aggregate net assets of not less than $50,000,000 on the date of purchase of such shares.

The New Jersey Cash Management Fund is a common trust fund administered by the New Jersey Department of the Treasury, Division of Investment. Securities in the Fund are insured, registered or held by the Division or its agent in the Fund's name.

The Authority provides the disclosures required by Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures* (GASB 40) and, accordingly, the Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash and Cash Equivalents and Investments.

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

    At December 31, 2009 and December 31, 2008, the Authority's bank balance was not exposed to custodial credit risk since the full amount was covered by FDIC insurance. The New Jersey Cash Management Fund which is administered by the New Jersey Department of the Treasury invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, Short-Term Commercial Paper, U.S. Government Agency Bonds, Corporate Bonds, and Certificates of Deposits.

3. Cash and Investments (continued)

Agencies that are part of the Fund typically earn returns that mirror short-term interest rates. The Fund is considered an investment pool and as such is not exposed to custodial credit risk. The Authority does not have a formal policy for deposit custodial credit risk other than to maintain sufficient funds in the checking account to cover checks that have not cleared the account as of a specific date.

As of December 31, 2009 and 2008, there were no investments in the Authority's portfolio. The majority of available funds were being held in the New Jersey Cash Management Fund. The Authority does not have a formal policy for investment securities custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution.

(b) Concentration of Credit Risk – This is the risk associated with the amount of investments the Authority has with any one issuer that exceed 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments were excluded from this requirement. The Authority places no limit on the amount it may invest in any one issuer.

(c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Authority does not have an investment policy regarding Credit Risk except to the extent previously outlined under the Authority's investment policy. The New Jersey Cash Management Fund is not rated.

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

4. Pension Plan

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

The Authority's total and covered payroll for the years ended December 31, 2009, 2008 and 2007 were $1,764,127, $1,855,685, and $1,760,430, respectively. Pension costs for the years ended December 31, 2009, 2008 and 2007 were $179,597, $145,016, and $133,373, respectively. Employees of the Authority also contribute a percentage of their wages to the pension system; the percentage of contributions, as determined by PERS, was 5.5% in 2009, 5.5% in 2008, 5.00% for the 1st half of 2007, and 5.5% for the 2nd half of 2007.

The State of New Jersey, Division of Pension and Benefits, issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

5. Postemployment Benefits Other Than Pensions

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

- Disability retirement.
- Retirement after 25 years of creditable service in the Public Employees Retirement System (PERS) and 10 years of service with the Authority.
- Retirement after age 65, 25 years of PERS service and 6 years of service with the Authority.

5. Postemployment Benefits Other Than Pensions (continued)

- 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 Member's of the Authority and there is no statutory requirement for the Authority to continue this plan for future Authority employees. The plan is a non contributory plan with all payments for plan benefits being funded by the Authority.

The Authority's annual OPEB cost for the plan is calculated based on the annual required contribution "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and interest on the net OPEB obligation and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Authority is amortizing this liability over a 30-year period using a level dollar method on an open basis. The Authority's annual OPEB cost for the year ended December 31, 2009 and 2008 and the related information for the plan are as follows (dollar amounts in thousands):

	2009	**2008**
Annual required contribution	**$ 413**	$ 388
Contributions made	**–**	(3,738)
Increase (decrease) in net OPEB obligation	**413**	(3,350)
(Prepaid) Net OPEB obligation – beginning of year	**(2,398)**	952
(Prepaid) Net OPEB obligation – end of year	**$ (1,985)**	$ (2,398)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2008 and 2009 were as follows (dollar amounts in thousands):

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation/ (Prepaid)**
December 31, 2009	$ 413	100%	$ (1,985)
December 31, 2008	388	100%	(2,398)
December 31, 2007	354	4.5%	952

5. Postemployment Benefits Other Than Pensions (continued)

On January 10, 2008, the Authority established an irrevocable trust to provide for the payment of its OPEB obligations. The Authority funded this trust with an initial payment of $952,339 and at December 31, 2009, there were funds on hand in the amount of $3,702,677.

At January 1, 2009, the actuarial accrued liability for benefits was $3,738,403, all but $35,726 was funded. The covered payroll (annual payroll of active employees covered by the plan) was $1,764,127 for the year ended December 31, 2009, and the ratio of the funded actuarial accrued liability was 210%.

The most recent actuarial valuation date is January 1, 2007. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

For the January 1, 2007 actuarial valuation, the projected unit credit with benefits attributed from date of hire to the date of decrement method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 9% medical grading down to an ultimate rate of 5%.

6. Commitments

The Authority has an operating lease commitment for its offices at an annual rental of approximately $269,700 from September 24, 2006 to September 23, 2011 and $286,556 from September 24, 2011 to September 23, 2016.

7. Related Party Transactions

Operating expenses for the years ended December 31, 2009 and 2008 include approximately $269,000 and $283,000, respectively, relating to payment for goods and services provided by various State of New Jersey agencies.

8. Conduit Debt

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks and rewards of the related financing. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. During the year ended December 31, 2009, the Authority issued $836,425,500 in conduit debt. The amount of conduit debt outstanding at December 31, 2009 totaled $6,510,107,271.

9. Risk Management

The Authority maintains a Not-For-Profit Protector Individual and Organization Insurance Policy (Directors & Officers Liability) that provides protection to the Authority's past, present and future members, committee members, officers and staff for official actions that may have been taken while carrying out their normal duties on behalf of the Authority. The Authority's policy which covers the period December 18, 2009 through December 18, 2010 has a $20 million liability limit with a retention level of $175,000 at a premium cost of $73,465.

10. Note Receivable Bayonne Medical Center

On April 16, 2007, Bayonne Medical Center filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The bankruptcy court conducted an auction for the sale of Bayonne Medical Center and on November 2, 2007, IJKG, Inc. was declared the winner of the auction. The court in considering whether IJKG met the court's contingencies relied on the Authority's willingness to provide a $2.5 million loan to Bayonne Medical Center. The Authority's loan, along with a loan from the City of Bayonne, were needed for the Medical Center to continue operations until the facility's purchase. The sale was closed on February 1, 2008 and IJKG assumed the loan.

10. Note Receivable Bayonne Medical Center (continued)

Consequently, on November 27, 2007, the Authority and the medical center entered into a loan agreement in the amount of $2.5 million. The executed promissory note required that commencing on March 1, 2008, the outstanding principal amount of the Note shall be due in fifty-nine (59) equal monthly installments of $41,666 with a final principal payment of $41,706 due on February 1, 2013. Further, interest on the loan became payable commencing March 1, 2008. Interest is computed using the rate on the New Jersey Cash Management Fund plus 2% and applied to the outstanding balance of the loan plus any interest accrued to that point, for the number of days the loan is outstanding. The following table summarizes the Authority's remaining loan payments to be received under this agreement.

Year Ended December 31	Principal	Estimated Interest	Total
2010	$499,992	$ 91,272	$591,264
2011	499,992	57,573	557,565
2012	499,992	23,873	523,865
2013	83,372	703	84,075

11. 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 assets 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 New Jersey Cash Management Fund plus 2%. The loan program is intended to be a revolving pool, so that as the principal and interest on each loan is repaid those funds will be returned to the FQHC loan program to be lent out in the future to start-up FQHCs.

12. Subsequent Event

On January 29, 2010, the Authority and Lakewood Resource and Referral Center, Inc. a Federally Qualified Health Center entered into a loan agreement in the amount of $2 million. The executed promissory note requires that commencing March 1, 2010, the outstanding principal amount of the Note shall be due in eighty-three (83) equal monthly installments of $23,809 with a final principal payment of $23,853 due on February 1, 2017. Further, interest on the loan is payable commencing March 1, 2010. Interest is computed using the monthly variable rate on the New Jersey Cash Management Fund plus 2% and applied to the outstanding balance of the loan plus any interest accrued to that point, for the number of days the loan is outstanding. The following table summarizes the Authority's loan payments to be received under this agreement.

Year Ended December 31	Principal	Estimated Interest	Total
2010	$ 238,090	$ 31,770	$ 269,860
2011	285,708	32,619	318,327
2012	285,708	26,905	312,613
2013	285,708	21,191	306,899
2014	285,708	15,477	301,185
2015	285,708	9,763	295,471
2016	285,708	4,048	289,756
2017	47,662	119	47,781

Required Supplementary Information

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

Required Supplementary Information

Schedule of Funding Progress for the Retiree Healthcare Plan

(Dollars in Thousands)

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
January 1, 2007	$ –	$ 3,153	$ 3,153	0%	$ 1,760	179%
January 1, 2006	–	2,760	2,760	0	1,710	161

* Actuarial valuations are performed every third year.

Supplemental Financial Information

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

Statements of Net Assets for Trustee Held Funds

	December 31 2009	December 31 2008
	($000)	
Assets		
Mortgages and loans receivable, net	**$ 4,720,576**	$ 4,657,421
Lease receivable	**192,110**	198,355
State contract bond receivable	**445,985**	297,970
Equipment revenue notes receivable	**5,425**	5,416
Capital Asset Program notes receivable, net	**37,335**	33,634
Construction/program accounts:		
Cash and cash equivalents	**292,528**	400,933
Investments	**394,246**	175,273
Prepaid expenses	**10**	10
Debt service accounts:		
Cash and cash equivalents	**148,850**	159,127
Investments	**51,952**	130
Receivable from master trustee/institution	**16,423**	11,723
Debt service reserve accounts:		
Cash and cash equivalents	**191,392**	216,940
Investments	**130,799**	89,802
Mortgage servicing accounts:		
Cash and cash equivalents	**197**	182
Mortgage payments receivable	**239**	231
Total assets	**$ 6,628,067**	$ 6,247,147
Liabilities and net assets		
Bonds payable	**$ 6,498,825**	$ 6,134,371
Revenue notes payable	**11,282**	7,079
Accrued interest payable	**116,508**	104,511
Accrued expenses	**235**	222
Mortgages and escrows payable	**436**	413
Deferred income	**11**	–
Capital Asset Program net assets	**770**	551
Total liabilities and Capital Asset Program net assets	**$ 6,628,067**	$ 6,247,147

See accompanying notes.

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

Statements of Cash Flows for Trustee Held Funds

	Year Ended December 31	
	2009	**2008**
	($000)	
Cash flows from operating activities		
Payments received from institutions under agreements	**$ 391,893**	$ 764,115
Equity contribution from institutions	**29,508**	45,904
Disbursements for construction/acquisition and issuance expense	**(463,376)**	(373,140)
Other receipts (disbursements)	**84,386**	(122,931)
Net cash provided by operating activities	**42,411**	313,948
Cash flows from noncapital financing activities		
Face amount of revenue bonds	**836,425**	1,272,380
Less deductions at time of sale	**(37,255)**	(374,575)
Refunding of pre-existing debt/escrow fund deposit	**(127,386)**	(174,521)
Net proceeds from sale of revenue bonds	**671,784**	723,284
Principal/premium paid on revenue bonds	**(232,004)**	(765,860)
Interest paid on revenue bonds	**(249,725)**	(268,668)
Net cash provided by (used in) noncapital financing activities	**190,055**	(311,244)
Cash flows from investing activities		
Net proceeds from sale and maturities of securities	**(390,815)**	(52,563)
Interest on investments	**14,134**	27,739
Net cash used in investing activities	**(376,681)**	(24,824)
Net decrease in cash and cash equivalents	**(144,215)**	(22,120)
Cash and cash equivalents, beginning of year	**777,182**	799,302
Cash and cash equivalents, end of year	**$ 632,967**	$ 777,182

See accompanying notes.

1. Background

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

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

2. Summary of Significant Accounting Policies

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

Description of Funds – The Authority maintains books of account for each of the issues of debt outstanding and for its mortgage servicing funds (Trustee Held Funds). The funds are combined for financial statement presentation. The following is a description of the Authority's financing programs:

> *Capital Asset Program* – Accounts for the receipt and disbursement of funds in connection with the Authority's Capital Asset Revenue Bonds, Series A through D. These bonds were initially issued without designated borrowers. Under the Capital Asset Program, the Authority was required to establish a Debt Service Reserve Fund which may be used to pay debt service if pledged revenues are insufficient.

2. Summary of Significant Accounting Policies (continued)

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

Under both programs the assets of the Construction/Program Accounts, Debt Service Accounts and Debt Service Reserve Accounts are held by trustees in accordance with the applicable bond and note resolutions. The resolutions establish the following accounts, which are referred to as "funds." These do not represent "funds" as the term is used in generally accepted accounting principles, but are separate "accounts" used to delineate the accounting and reporting of bond related monies.

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

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

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

- Mortgage Servicing Accounts – accounts for receipt of principal, interest, insurance, reserve for replacements and property tax payments of institutions for which the Authority is the mortgagee of record and has assumed the mortgage servicing function. These funds are held in segregated escrow accounts until remitted to the bond trustee or appropriate agency.

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

3. Mortgages and Loans Receivable

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

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

As of December 31, 2009 and 2008, mortgages and loans receivable were:

	2009	**2008**
	($000)	
Mortgages		
Robert Wood Johnson University Hospital	**$ 132,675**	$ 135,560
Chilton Memorial Hospital	**–**	14,905
Burdette Tomlin Memorial Hospital	**22,770**	23,280
Holy Name Hospital	**109,670**	109,920
Deborah Heart and Lung Center	**22,280**	23,280
Southern Ocean County Hospital	**33,055**	33,980
Somerset Medical Center	**81,390**	81,390
St. Ann's Home for the Aged	**6,211**	6,543
CentraState Assisted Living, Inc.	**6,318**	6,566
Total mortgages receivable	**414,369**	435,424

3. Mortgages and Loans Receivable (continued)

	2009	2008
	($000)	
Loans		
Secured by pledge of collateral with trustees:		
Care Institute, Inc. – Cherry Hill	**$ 13,740**	$ 14,080
Shoreline Behavioral Health Center (currently Saint Barnabas Behavioral Health Center, a part of Saint Barnabas Health Care System)	**11,590**	11,965
Christian Health Care Center	**6,825**	7,100
The Avalon at Bridgewater Assisted Living Project	**6,375**	6,525
Holland Christian Home Association	**2,500**	2,700
Bartley Assisted Living LLC	**6,247**	8,055
Muhlenberg Regional Medical Center	**–**	17,275
Jersey City Medical Center	**184,480**	191,980
JFK Assisted Living	**11,473**	11,861
Meridian Hospitals Corporation	**22,020**	23,960
Wiley Mission Project	**11,915**	12,315
Englewood Hospital and Medical Center	**89,035**	91,505
The Community Hospital Group	**–**	33,135
The Matheny School and Hospital	**2,800**	3,000
Robert Wood Johnson University Hospital	**62,660**	65,185
St. Francis Medical Center	**1,900**	2,100
Virtua Health, Inc.	**66,115**	67,900
Rahway Hospital	**11,000**	11,000
Bayshore Community Hospital	**4,290**	5,075
South Jersey Hospital, Inc.	**13,375**	13,735
Children's Specialized Hospital	**50,880**	56,080
AtlantiCare Regional Medical Center	**43,000**	45,000
Recovery Management, Inc.	**13,060**	13,485
The Avalon at Hillsborough	**11,905**	12,055
East Orange General Hospital	**10,840**	11,595
FitnessFirst Oradell Center, LLC	**6,650**	6,830
MHAC I, LLC	**31,820**	32,570
Southern Ocean County Hospital	**17,625**	17,895
Somerset Medical Center	**24,705**	25,930
Underwood-Memorial Hospital	**59,325**	60,850
Kennedy Health Facilities	**16,340**	–

3. Mortgages and Loans Receivable (continued)

	2009	2008
	($000)	
Loans (continued)		
Secured by pledge of gross receipts under Master Trust Indentures:		
Hackensack Medical Center (currently Hackensack University Medical Center)	**$ 455,540**	$ 463,085
Saint Peter's Medical Center (currently Saint Peter's University Hospital)	**163,395**	163,395
Hunterdon Medical Center	**51,375**	47,035
JFK Health Systems Obligated Group	**–**	32,335
Pascack Valley Hospital Association	**28,692**	30,931
Palisades Medical Center Obligated Group (currently a part of Palisades Medical Center of New York Presbyterian Health Care System)	**39,345**	40,175
Shore Memorial Health Care System	**59,225**	32,520
South Jersey Hospital System	**154,800**	157,915
Raritan Bay Medical Center	**44,000**	45,300
Jersey Shore Medical Center (currently a part of Meridian Health System, Inc.)	**18,875**	26,090
Bayonne Hospital Obligated Group	**29,470**	30,865
Warren Hospital Obligated Group	**45,085**	45,840
St. Joseph's Hospital and Medical Center Obligated Group	**244,545**	248,910
AHS Hospital Corporation	**348,180**	354,220
Newton Memorial Hospital	**24,005**	25,405
Kennedy Health System Obligated Group	**63,355**	67,860
Capital Health System Obligated Group	**–**	157,195
Christian Health Care Center	**23,270**	20,540
Community Medical Center/Kimball Medical Center/ Kensington Manor Care Center Obligated Group (currently parts of Saint Barnabas Health Care System)	**25,870**	30,050
Rahway Hospital Obligated Group	**12,740**	14,930
JFK Medical Center/Hartwyck at Oak Tree Obligated Group	**–**	41,565

3. Mortgages and Loans Receivable (continued)

	2009	2008
	($000)	
Loans (continued)		
Secured by pledge of gross receipts under Master Trust Indentures (continued):		
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group (currently parts of Saint Barnabas Health Care System)	**$ 32,400**	$ 34,610
CentraState Medical Center Obligated Group	**118,025**	120,095
Virtua Health, Inc.	**674,025**	122,450
Saint Barnabas Health Care System	**655,650**	667,310
Catholic Health East	**128,875**	130,990
Meridian Health System Obligated Group	**543,300**	549,675
RWJ Health Care Corp. at Hamilton, Obligated Group	**116,960**	119,770
Trinitas Hospital Obligated Group	**130,400**	130,400
The Society of the Valley Hospital Obligated Group	**31,420**	32,850
The House of the Good Shepherd	**17,420**	17,860
Bayshore Community Hospital	**42,035**	43,255
Atlantic City Medical Center	**57,890**	61,380
Atlanticare Regional Medical Center	**112,510**	113,075
Chilton Memorial Hospital	**39,195**	–
Total loans receivable	**5,346,362**	5,102,622
Total mortgages and loans receivable	**5,760,731**	5,538,046
Less cash and investments held by trustees	**1,040,155**	880,625
Net mortgages and loans receivable	**$ 4,720,576**	$ 4,657,421

4. Capital Asset Program Notes Receivable

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

As of December 31, 2009 and 2008 Capital Asset Program notes receivable were:

	2009	2008
	($000)	
Matheny School	**$ –**	$ 204
Community Medical Center		
(currently a part of Saint Barnabas Health Care System)	**127**	317
Visiting Nurses Association of Central Jersey	**212**	327
Somerset Medical Center	**5,093**	9,440
New Jersey Organ and Tissue Sharing Network	**–**	933
P.G. Chambers School		
(formerly Children's Center for Therapy and Learning, Inc.)	**1,178**	1,237
Saint Barnabas Corporation-Mega Care, Inc.	**6,421**	7,903
Palisades Medical Center, Inc.	**3,274**	3,988
Cooper Health System	**4,594**	4,985
Meridian Nursing and Rehabilitation at Ocean Grove	**6,479**	6,729
South Jersey Hospital	**10,877**	–
Total Capital Asset Program notes receivable	**38,255**	36,063
Less cash and investments held by trustee	**920**	2,429
Net Capital Asset Program notes receivable	**$ 37,335**	$ 33,634

5. Equipment Revenue Notes Receivable

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

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

	2009	2008
	($000)	
FitnessFirst Oradell Center	**$ 653**	$ 925
Children's Specialized Hospital	**2,244**	2,935
Christian Health Care Center	**2,902**	3,219
Somerset Medical Center	**5,483**	–
Total equipment notes receivable	**11,282**	7,079
Less cash and investment held by trustee	**5,857**	1,663
Net equipments notes receivable	**$ 5,425**	$ 5,416

6. Lease Receivable: Greystone Park Psychiatric Hospital

The Authority entered into a 50-year lease on December 18, 2003 with the Department of Human Services of the State of New Jersey (DHS) whereby the Authority obtained a lease on the existing property and buildings of the Greystone Park Psychiatric Hospital. The Authority has agreed to make major improvements to the leased property and sublease the property back to DHS. The improvements are being financed by the issuance of Lease Revenue Bonds of the Authority payable solely from sublease rental payments received from DHS. On December 18, 2003 the Authority issued lease revenue bonds in the aggregate principal amount of $19,125,000 to finance a portion of the improvements. The sublease was also entered into on December 18, 2003. On September 8, 2005, the Authority completed a second issue of lease revenue bonds in the amount of $186,565,000 to construct a new 450 bed replacement facility, including administrative, program and support functions, renovate existing support space and existing

6. Lease Receivable: Greystone Park Psychiatric Hospital (continued)

patient residential cottages that will house an additional 60 patients. Under the sublease, DHS agrees to make rental payments to the Authority that are sufficient to pay the principal, interest and other costs associated with the financing, subject to appropriation. There is no remedy provided to the Authority under the sublease for any default by DHS in its payment of rent or failure by DHS to make such payments, if moneys are not appropriated. As of December 31, 2009 and 2008, the lease receivable was in the amount of $192,110,000 and $198,355,000, respectively.

7. State Contract Bonds Receivable

The Hospital Asset Transformation Act (P.L. 2000. c.98) amended the Act 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 Hospital Asset Transformation Act, the Authority, subject to the prior 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 for the purposes outlined in the Hospital Asset 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 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 the debt service on such bonds, subject to and dependent upon appropriations being made by the State Legislature for such purpose.

At December 31, 2009 and 2008, the State Contract Bond Receivable was as follows:

	2009	2008
	($000)	
St. Mary's Hospital	**$ 43,945**	$ 45,425
St. Michael's Medical Center, Inc.	**249,115**	252,545
Solaris Health System	**152,925**	–
Total State contract bonds receivable	**$ 445,985**	$ 297,970

8. Cash and Investments

The components of cash and investments at December 31, 2009 and 2008 are:

	2009	2008
	($000)	
Cash and cash equivalents:		
Money Market Funds (which includes New Jersey Cash Management Fund)	**$ 632,967**	$ 777,182
Investments:		
Investment agreements:		
Collateralized	**193,561**	238,055
Uncollateralized	**262,230**	–
U.S. Treasury and Agency obligations	**121,206**	27,150
Total cash, cash equivalents and investments	**$ 1,209,964**	$ 1,042,387

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

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

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

8. Cash and Investments (continued)

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

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

9. Revenue Bonds and Notes

The security for the revenue bonds and notes of the Authority is described in Note 3 and is assigned to the trustee of the bond issue or to the holder of the equipment revenue note. The bonds and notes do not constitute a debt or liability of the State of New Jersey or any other political subdivision, or a pledge of the faith and credit of the State of New Jersey or any other political subdivision thereof, but are special limited obligations of the Authority payable solely from the revenues received by the Authority under the mortgage, loan, lease and note agreements and from amounts in the debt service reserve funds and other funds held pursuant to the resolutions, loan and mortgage agreements, except as described in Note 7.

Revenue bonds and notes outstanding are comprised of the following:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	2008
			($000)	
Revenue bonds				
Public issues:				
Hunterdon Medical Center, Series A	2020	7.00%	**$ ***	$ 8,090
JFK Health Systems Obligated Group, Series 1993	2023	5.40 – 5.50	*****	11,720
Deborah Heart and Lung Center, Series 1993	2023	6.20 – 6.30	**22,280**	23,280
Saint Peter's Medical Center, Series F (currently Saint Peter's University Hospital)	2021	4.80 – 5.00	**26,425**	26,425
Chilton Memorial Hospital, Series D	2013	5.00	*****	14,905
Shore Memorial Health Care System, Series 1993	2012	5.00	**4,335**	6,285

* Defeased or paid off.

9. Revenue Bonds and Notes (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	2008
			($000)	
Revenue bonds (continued)				
Public issues (continued):				
Raritan Bay Medical Center, Series 1994	2027	7.25	**$ 44,000**	$ 45,300
Jersey Shore Medical Center, Series 1994 (currently a part of Meridian Health System, Inc.)	2024	5.875 – 6.75	**18,875**	26,090
Bayonne Hospital Obligated Group, Series 1994	2012	6.25	**6,745**	8,140
JFK Health Systems Obligated Group, Series 1995	2025	5.40 – 5.70	*****	20,615
Robert Wood Johnson University Hospital, Series C	2010	5.125 – 5.25	**3,035**	5,920
Care Institute, Inc. – Cherry Hill, Series 1996	2027	7.75 – 8.00	**13,740**	14,080
Holy Name Hospital, Series 1997	2025	6.00	**19,665**	19,665
Shoreline Behavioral Health Center, Series 1997 (currently Saint Barnabas Behavioral Health Center, a part of Saint Barnabas Health Care System)	2027	5.30 – 5.50	**11,590**	11,965
Newton Memorial Hospital, Series 1997	2019	4.90 – 5.00	**12,110**	13,025
Kennedy Health System Obligated Group, Series 1997 A	2027	5.00 – 5.20	**12,830**	13,395
Southern Ocean County Hospital, Series 1997	2027	4.75 – 5.00	**10,735**	11,100
Capital Health System Obligated Group, Series 1997	2027	5.125 – 5.25	*****	36,635
Christian Health Care Center, Series 1997 A	2018	5.25 – 5.50	*****	11,940
Christian Health Care Center, Series 1997 B	2028	Weekly variable rate	**8,300**	8,600
Bayonne Hospital Obligated Group, Series 1998	2027	4.75	**22,725**	22,725
Community Medical Center/Kimball Medical Center/Kensington Manor Care Center Obligated Group, Series 1998 (currently parts of Saint Barnabas Health Care System)	2019	5.00 – 5.50	**25,870**	30,050
Kennedy Health System Obligated Group, Series 1997 B	2015	5.00 – 5.75	**6,635**	10,575
Rahway Hospital Obligated Group, Series 1998	2014	5.00 – 5.125	**12,740**	14,930
Hackensack University Medical Center, Series 1998	2028	4.50 – 5.375	**130,350**	134,380

9. Revenue Bonds and Notes (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	2008
Revenue bonds (continued)			*($000)*	
Public issues (continued):				
JFK Medical Center/Hartwyck at Oak Tree Obligated Group, Series 1998	2025	4.60 – 5.00	**$ ***	$ 41,565
Saint Barnabas Medical Center/West Hudson Hospital Obligated Group, Series 1998A (currently parts of Saint Barnabas Health Care System)	2028	4.50 – 5.25	**32,400**	34,610
Christian Health Care Center, Series 1998 A-3	2018	Weekly variable rate	**500**	500
CentraState Medical Center Obligated Group, Series 1998	2028	4.20 – 4.65	**47,120**	48,670
Pascack Valley Hospital Association, Series 1998	2028	4.70 – 5.125	**10,942**	11,797
Virtua Health Inc., Series 1998	2028	4.375 – 5.25	**88,295**	96,560
Saint Barnabas Health Care System, Series 1998B	2028	0.00 – 5.25	**356,480**	365,845
Catholic Health East, Series 1998E	2029	4.30 – 5.25	**29,275**	30,735
Palisades Medical Center of New York Presbyterian Health Care System Obligated Group, Series 1999	2028	4.65 – 5.25	**28,005**	28,630
The Avalon at Bridgewater Assisted Living Project, Series 1999A	2029	6.625 – 6.75	**6,375**	6,525
Burdette Tomlin Memorial Hospital, Series 1999	2029	5.10 – 5.60	**22,770**	23,280
Meridian Health System Obligated Group, Series 1999	2029	5.00 – 5.625	**201,175**	207,550
Holland Christian Home Association, Series 1999A-2	2019	Weekly variable rate	**2,500**	2,700
Hackensack University Medical Center, Series 2000	2034	5.60 – 6.125	**78,170**	79,525
Saint Barnabas Health Care System, Series 1998C	2018	5.00 – 5.25	**10,075**	10,495
Robert Wood Johnson University Hospital, Series 2000	2031	5.20 – 5.75	**129,640**	129,640
Muhlenberg Regional Medical Center, Series 2000	2018	4.85 – 5.50	*****	17,275

9. Revenue Bonds and Notes (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	2008
Revenue bonds (continued)			*($000)*	
Public issues (continued):				
The Society of the Valley Hospital Obligated Group, Series 2000	2031	4.75 – 5.75	**$ 31,420**	$ 32,850
Saint Peter's University Hospital Obligated Group, Series 2000A	2030	6.875	**36,795**	36,795
Saint Peter's University Hospital Obligated Group, Series 2000B	2030	Weekly variable rate	**29,280**	29,280
Saint Peter's University Hospital Obligated Group, Series 2000C	2030	Weekly variable rate	**5,720**	5,720
Southern Ocean County Hospital, Series 2001	2031	4.25 – 5.125	**22,320**	22,880
The House Of The Good Shepherd Obl. Grp., Series 2001	2031	4.20 – 5.20	**17,420**	17,860
Jersey City Medical Center, Series 2001	2041	3.85 – 5.00	**170,140**	177,175
Kennedy Health System Obl. Grp., Series 2001	2031	5.50 – 5.625	**43,890**	43,890
St. Barnabas Health Care System, Series 2001A	2031	Weekly variable rate	**34,400**	34,400
St. Barnabas Health Care System, Series 2001B	2031	Auction rate	**66,625**	68,500
Newton Memorial Hospital, Series 2001	2026	3.70 – 5.25	**11,895**	12,380
Meridian Hospital Corp,. Series 2001 A-1	2016	Weekly variable rate	**3,500**	5,100
Bayshore Community Hospital, Series 2002	2032	4.00 – 5.125	**42,035**	43,255
Atlantic City Medical Center, Series 2002	2025	5.25 – 6.25	**57,890**	61,380
Palisades Medical Center of NY Presbyterian Health Care System Obl. Grp., Series 2002	2031	5.50 – 6.625	**11,340**	11,545
South Jersey Hospital, Series 2002	2032	5.875 – 6.00	**10,515**	13,630
RWJ Health Corp. at Hamilton, Series 2002	2032	Weekly variable rate	**27,140**	27,910
Wiley Mission Project, Series 2002	2029	Weekly variable rate	**11,915**	12,315
Englewood Hospital and Medical Center, Series 2002	2031	3.35 – 5.25	**89,035**	91,505
Meridian Health System Obligated Group, Series 2003A	2033	Weekly variable rate	**60,000**	60,000
Meridian Health System Obligated Group, Series 2003B	2033	Weekly variable rate	**40,000**	40,000
Pascack Valley Hospital Association, Series 2003	2036	6.00 – 6.625	**17,749**	19,134

9. Revenue Bonds and Notes (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	2008
			($000)	
Revenue bonds (continued)				
Public issues (continued):				
Somerset Medical Center, Series 2003	2033	5.50 – 5.75	**$ 81,390**	$ 81,390
The Community Hospital Group, Inc., Series 2003A-1	2020	Weekly variable rate	*****	15,200
The Matheny School and Hospital Inc., Series 2003 A-2	2023	Weekly variable rate	**2,800**	3,000
Robert Wood Johnson University Hospital, Inc., Series 2003 A-3	2023	Weekly variable rate	**19,000**	20,100
St. Francis Medical Center, Series 2003 A-5	2018	Weekly variable rate	**1,900**	2,100
Virtua Health Inc., Series 2003 A-7	2018	Weekly variable rate	**7,200**	7,900
Shore Memorial Health Care System, Obligated Group, Series 2003	2023	3.00 – 5.00	**24,980**	26,235
Rahway Hospital, Series 2003 A-8	2023	Weekly variable rate	**11,000**	11,000
Capital Health System Obligated Group, Series 2003 A	2033	4.00 – 5.75	*****	91,060
Capital Health System Obligated Group, Series 2003 B	2033	Weekly variable rate	*****	29,500
Jersey City Medical Center, Series 2003	2030	2.625 – 4.80	**14,340**	14,805
Greystone Park Psychiatric Hospital Project, Series 2003	2025	2.80 – 5.00	**16,335**	17,060
Bayshore Community Hospital, Series 2004 A-1	2014	Weekly variable rate	**4,290**	5,075
Meridian Nursing and Rehab, Series 2004 A-3	2035	Weekly variable rate	**13,420**	13,760
South Jersey Hospital, Inc., Series 2004 A-4	2034	Weekly variable rate	**13,375**	13,735
Robert Wood Johnson Univ. Hospital, Series 2004	2029	Weekly variable rate	**43,660**	45,085
Virtua Health, Series 2004	2033	Weekly variable rate	**58,915**	60,000
Recovery Management Sys, Inc. Series 2005	2030	Weekly variable rate	**13,060**	13,485

9. Revenue Bonds and Notes (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	Amount Outstanding December 31 2008
			($000)	
Revenue bonds (continued)				
Public issues (continued):				
The Avalon at Hillsborough, Series 2005A	2035	6.15 – 6.625	**$ 10,880**	$ 10,880
RWJ Health Care Corp. @ Hamilton, Series 2005A	2024	Auction rate	**26,300**	27,400
RWJ Health Care Corp. @ Hamilton, Series 2005 B	2035	3.10 – 5.00	**63,520**	64,460
Greystone Park Psychiatric Hospital Project, Series 2005	2028	3.50 – 5.00	**175,775**	181,295
Children's Specialized Hospital, Proj., Series 2005 A	2036	4.00 – 5.50	**32,010**	32,460
Children's Specialized Hospital, Proj., Series 2005 B	2036	Weekly variable rate	**18,870**	23,620
AtlantiCare Regional Med. Ctr., Series 2005 A-1	2030	Weekly variable rate	**21,000**	22,000
Christian Health Care Center, Series 2005 A-2	2035	Weekly variable rate	**6,325**	6,600
The Community Hospital Group, (t/a JFK), Series A-3	2030	Weekly variable rate	*****	17,935
Hunterdon Medical Center, Series 2006A	2035	4.50 – 5.25	**21,525**	21,860
Southern Ocean County Hospital, Series 2006	2036	Weekly variable rate	**17,625**	17,895
Holy Name Hospital, Series 2006	2036	5.00 – 5.25	**60,000**	60,000
South Jersey Hospital, Series 2006	2046	5.00	**144,285**	144,285
AtlantiCare Regional Medical Center, Series 2006 A-1	2031	Weekly variable rate	**22,000**	23,000
East Orange General Hospital, Series 2006 A-2	2021	Weekly variable rate	**10,840**	11,595
Meridian Nursing and Rehabilitation, Series 2006 A-3	2031	Weekly variable rate	**5,100**	5,100
MHAC I, LLC, Series 2006 A-4	2027	Weekly variable rate	**20,905**	21,655
MHAC I, LLC, Series 2006 A-5	2036	Weekly variable rate	**10,915**	10,915
FitnessFirst Oradell Center, LLC, Series 2006 A-6	2031	Weekly variable rate	**6,650**	6,830

9. Revenue Bonds and Notes (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	2008
			($000)	
Revenue bonds (continued)				
Public issues (continued):				
CentraState Medical Center, Series 2006 A	2021	3.50 – 5.00	**$ 41,180**	$ 41,575
CentraState Medical Center, Series 2006 B	2037	Weekly variable rate	**29,725**	29,850
Saint Barnabas Health Care System, Series 2006 A	2029	5.00	**63,070**	63,070
Saint Barnabas Health Care System, Series 2006 B	2038	0.00	**125,000**	125,000
Hunterdon Medical Center, Series 2006B	2036	4.00 – 5.00	**17,085**	17,085
St. Mary's Hospital, Passaic, New Jersey, Series 2007-1	2027	4.00 – 5.00	**27,925**	27,925
St. Mary's Hospital, Passaic, New Jersey, Series 2007-2	2018	5.073 – 5.265	**16,020**	17,500
Catholic Health East Health System, Series 2007E	2033	Indexed rate	**99,600**	100,255
Trinitas Hospital Obligated Group, Series 2007A	2030	4.75 – 5.25	**65,050**	65,050
Trinitas Hospital Obligated Group, Series 2007B	2023	5.25 – 8.08	**65,350**	65,350
AtlantiCare Regional Medical Center, Series 2007	2037	4.00 – 5.00	**112,510**	113,075
Meridian Health System Obligated Group, Series 2007	2038	5.00 and Weekly variable rate	**242,125**	242,125
Saint Peter's University Hospital Obligated Group, Series 2007	2037	5.25 – 5.75	**65,175**	65,175
Hackensack University Medical Center, Series 2008	2041	3.50 – 5.375	**247,020**	249,180
AHS Hospital Corp., Series 2008A	2023	3.50 – 5.125	**171,070**	177,110
AHS Hospital Corp., Series 2008B	2036	Weekly variable rate	**88,555**	88,555
AHS Hospital Corp., Series 2008C	2036	Weekly variable rate	**88,555**	88,555
Underwood-Memorial Hospital, Series 2008	2033	Weekly variable rate	**59,325**	60,850
St. Michael's Medical Center (HATP), Series 2008A	2038	5.00 – 5.50	**249,115**	252,545
Somerset Medical Center, Series 2008	2024	Weekly variable rate	**24,705**	25,930
St. Joseph's Healthcare System Obligated Group, Series 2008	2038	5.75 – 6.625	**244,545**	248,910

9. Revenue Bonds and Notes (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	2008
			($000)	
Revenue bonds (continued)				
Public issues (continued):				
Christian Health Care Center, Series 2009	2038	Weekly variable rate	**$ 14,970**	$ –
Virtua Health, Series 2009A	2038	4.375 – 6.00	**379,645**	–
Virtua Health, Series 2009B	2043	Daily variable rate	**60,000**	–
Virtua Health, Series 2009C	2043	Daily variable rate	**40,000**	–
Virtua Health, Series 2009D	2043	Weekly variable rate	**65,000**	–
Virtua Health, Series 2009E	2043	Weekly variable rate	**20,000**	–
Solaris (HATP), Series 2009A	2032	4.00 – 5.75	**152,925**	–
Chilton Memorial Hospital, Series 2009	2039	4.00 – 5.75	**39,195**	–
Total public issues			**6,212,361**	5,898,186
Private placements:				
St. Ann's Home for the Aged, Series 1996	2011	3.40	**6,211**	6,543
CentraState Assisted Living, Inc., Series 1998	2018	4.37 reset in 2018	**6,318**	6,566
Bartley Assisted Living LLC, Series 2000	2025	3.698% reset in 2010	**6,247**	8,055
JFK Assisted Living Series 2001	2026	5.65 reset in 2011	**11,473**	11,861
The Avalon at Hillsborough, Series 2005 B	2014	9.00	**1,025**	1,175
Virtua Health, Inc., Series 2006	2013	Weekly variable rate	**21,085**	25,890
Warren Hospital Oblig. Group, Series 2008 A	2038	7.25	**33,840**	33,840
Warren Hospital Oblig, Group, Series 2008 B	2018	10.00	**11,245**	12,000
Holy Name Hospital Series 2008	2020	Indexed rate	**30,005**	30,255
Shore Memorial Hospital Obligated Group, Series 2009	2039	Indexed floating rate	**29,910**	–
Kennedy Health Facilities, Inc. Series 2009	2039	Weekly variable rate	**16,340**	–

9. Revenue Bonds and Notes (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	Amount Outstanding December 31 2008
			($000)	
Revenue bonds (continued)				
Private placements (continued):				
Hunterdon Medical Center, Series 2009	2036	Indexed floating rate	**$ 12,765**	$ –
Total private placements			**186,464**	136,185
Capital Asset Program:				
Capital Asset Program, Series A, B, C, D			**100,000**	100,000
Total Capital Asset Program			**100,000**	100,000
Equipment revenue notes:				
FitnessFirst Oradell Center, LLC, Series 2007	2012	3.92	**653**	925
Children's Specialized Hospital, Series 2007	2012	3.92	**2,244**	2,935
Christian Health Care Center, Series 2008	2013	3.60	**2,835**	3,132
Christian Health Care Center, Series 2008	2013	3.60	**67**	87
Somerset Medical Center, Series 2009	2016	5.45	**5,483**	–
Total equipment revenue notes			**11,282**	7,079
Total revenue bonds and notes			**$ 6,510,107**	$ 6,141,450

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

	Principal	Interest	Total
		($000)	
2010	$ 141,126	$ 254,561	$ 395,687
2011	155,286	250,215	405,501
2012	156,418	243,303	399,721
2013	169,265	236,275	405,540
2014	188,077	228,061	416,138
Thereafter	5,699,935	2,772,744	8,472,679
	$ 6,510,107	$ 3,985,159	$ 10,495,266

10. Compliance with Bond Provisions

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

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

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

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, 2009, there were the following Events of Default of the Authority's bond issues:

> On April 16, 2007, Bayonne Medical Center filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The bankruptcy court conducted an auction for the sale of Bayonne Medical Center and on November 2, 2007, IJKG, Inc. was declared the winner of the auction and the sale was closed on February 1, 2008. Since the auction sale price was insufficient to pay the outstanding bond debt, the bond insurer, FSA continues to pay to the Bondholders interest and principal according to the debt service schedules.
>
> On August 15, 2007, Barnert Hospital filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Debt service payments have been made through January 31, 2008 on the 1999 bond issue. Bondholders were paid in full by FHA Insurance on August 1, 2008.
>
> On September 24, 2007, Pascack Valley Hospital filed for protection under Chapter 11 of the U.S. Bankruptcy Code and ceased operations in November, 2007. Partial settlement was made to Bondholders on September 30, 2008, March 18, 2009 and September 9, 2009.

10. Compliance with Bond Provisions (continued)

On March 9, 2009, St. Mary's Hospital in Passaic filed for protection under Chapter 11 of the U.S. Bankruptcy Code.

11. 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 the liability for refunded bonds are not included in the Authority's financial statements.

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

11. Defeased Issues (continued)

A summary of outstanding balances as of December 31, 2009 and 2008, by issue, is as follows:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	Amount Outstanding December 31 2008
			($000)	
Defeased public issues:				
Community Memorial Hospital Association (Toms River), Series A (currently Community Medical Center, a part of Saint Barnabas Health Care System)	2009	6.75%	**$ –**	$ 965
The Overlook Hospital Association, Series C (currently a part of AHS Hospital Corporation)	2011	6.90	**2,720**	3,950
Hackensack Hospital, Series A (currently Hackensack University Medical Center)	2009	6.70	**–**	1,615
Monmouth Medical Center, Series A (currently a part of Saint Barnabas Health Care System)	2009	6.70	**–**	745
St. Francis Hospital, Series A (currently a part of Capital Health East)	2012	8.00	**4,765**	6,130
Bridgeton Hospital Association, Series B (currently a part of South Jersey Hospital System)	2013	6.00 – 10.50	**4,370**	4,370
Saint Barnabas Medical Center, Series A (currently a part of Saint Barnabas Health Care System)	2011	7.00	**1,530**	2,305
Burlington County Memorial Hospital, Series C (currently a part of Virtua Health, Inc.)	2012	6.00	**10,500**	10,500
Point Pleasant Hospital, Series A (currently a part of Meridian Health System, Inc.)	2010	7.30	**900**	1,740
The General Hospital Center at Passaic, Series 1994 (currently a part of Beth Israel Hospital Association of Passaic)	2019	6.00 – 6.75	**43,630**	46,685
Allegany Health-Our Lady of Lourdes, Series 1993 (currently a part of Catholic Health East)	2018	5.00 – 5.20	**25,890**	28,095

11. Defeased Issues (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	2008
			($000)	
Defeased public issues (continued):				
Riverview Medical Center, Series 1994 (currently a part of Meridian Health System, Inc.)	2011	5.50 – 6.25	**$ 6,055**	$ 8,840
St. Mary Hospital, Series 1993 (currently a part of Capital Health East)	2012	5.875	**6,915**	8,965
Bayshore Community Hospital, Series 1989 A&B	2009	0.00	**–**	281
New Seasons of Mt. Arlington Assisted Living Project, Series 2000B	2010	10.75	**180**	340
AHS Hospital Corporation, Series 1997 A	2027	5.00 – 6.00	**19,990**	24,300
Trinitas Hospital Obligated Group, Series 2000	2010	7.375 – 7.50	**54,420**	55,630
Catholic Health East, Series 2003A	2012	3.20 – 5.375	**44,600**	45,150
Cathedral Health Services, Inc., Series 1998	2011	4.70 – 5.50	**3,660**	3,660
St. Clare's Hospital, Inc., Series 2004A	2025	4.25 – 5.25	**59,000**	59,000
St. Clare's Hospital, Inc., Series 2004B	2015	2.85 – 4.00	**26,765**	30,585
St. Joseph's Hospital and Medical Center, Series 1996B	2011	7.70	**925**	1,340
Muhlenberg Regional Medical Center, Series 2000	2010	4.85 – 5.50	**15,905**	–
Capital Health System Obligated Group, Series 2003A	2033	4.00 – 5.75	**88,345**	–
Hunterdon Medical Center, Series A	2010	7.00	**7,755**	–
Total defeased public issues			**428,820**	345,191
Defeased private placements:				
Saint Peter's Medical Center, Series A (currently Saint Peter's University Hospital)	2009	7.125	**–**	160
St. Elizabeth Hospital, Series A (currently Trinitas Hospital)	2009	6.00	**–**	4,225
Total defeased private placements			**–**	4,385

11. Defeased Issues (continued)

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31 2009	Amount Outstanding December 31 2008
			($000)	
Partially defeased public issues				
Saint Barnabas Health Care System, Series 1998B	2009	0.00 – 5.25	**$ 17,413**	$ 78,768
Saint Barnabas Health Care System, Series 1998C	2009	5.00 – 5.25	**–**	580
South Jersey Hospital, Series 2002	2012	4.375 – 6.00	**143,415**	143,415
Catholic Health East, Series 1998E	2029	4.10 – 5.25	**–**	25,915
Atlantic City Medical Center, Series 2002 (currently AtlantiCare Health System)	2025	4.85 – 6.25	**36,775**	36,775
Total partially defeased public issues			**197,603**	285,453
Total defeased issues			**$ 626,423**	$ 635,029

12. Subsequent Event

During 2009, St. Mary's Hospital in Passaic filed for protection under Chapter 11 of the U.S. Bankruptcy Code. On February 2, 2010, the bankruptcy court approved St. Mary's reorganization plan which is anticipated to go into effect on February 26, 2010. Under the plan, St. Mary's will pay annual debt service of $2.2 million for 30 years, and the State of New Jersey will pay approximately $1.5 million for 18 years subject to annual appropriations.

Ernst & Young LLP
99 Wood Avenue South
Iselin, NJ 08830-0471
Tel: +1 732 516 4200
www.ey.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the New Jersey Health Care Facilities Financing Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated February 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Members of the New Jersey Health Care Facilities Financing Authority, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

February 26, 2010