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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2025 AND 2024

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary funds of the New Jersey Health Care Facilities Financing Authority, ("the Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary funds of the Authority, as of December 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other supplementary information – trustee held funds section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the trustee - held funds statements and accompanying notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
August 4, 2026

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED DECEMBER 31, 2025 AND 2024

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 December 31, 2025, and the two immediately preceding years. It should be read in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- The Authority's total net position increased $797,000 or 5.8%
- Cash and cash equivalents increased $99,000 or 0.6%
- Operating revenue decreased $60,000 or 1.5%
- Operating expenses increased $378,000 or 11.2%
- Operating income decreased $438,000 or 88.5%

Overview of the Financial Statements

This annual financial report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information - trustee held funds. The Authority is a self-supporting entity and follows enterprise fund reporting. Accordingly, the financial statements are presented using the accrual basis of accounting.

Financial Analysis of the Authority

Net Position – The following table presents the Authority's condensed statements of net position at December 31, 2025, 2024 and 2023:

	2025	2024	2023 (As Restated)	Change 2025-2024	% Change
	($000)	($000)	($000)	($000)	(%)
Current assets	19,069	19,090	17,995	(21)	-0.1%
Noncurrent assets	2,478	1,720	2,646	758	44.1%
Total assets	21,547	20,810	20,641	737	3.5%
Deferred outflows of resources	1,882	1,926	1,161	(44)	-2.3%
Current liabilities	2,798	2,846	2,610	(48)	-1.7%
Long-term liabilities	4,172	4,339	4,772	(167)	-3.8%
Total liabilities	6,970	7,185	7,382	(215)	-3.0%
Deferred inflows of resources	1,816	1,705	1,956	111	6.5%
Total net position	$ 14,643	$ 13,846	$ 12,464	$ 798	5.8%

Financial Analysis of the Authority (Continued)

Current assets are comprised of cash and cash equivalents (operating account and Federally Qualified Health Centers ("FQHC") loan program), administrative fees and other receivables and prepaid expenses. Current assets decreased $22,000 or 0.1% from December 31, 2024 to December 31, 2025. As of December 31, 2025, the majority of the cash and cash equivalents were held in the New Jersey Cash Management Fund ("NJCMF"), a liquid short-term investment vehicle. The yield on the NJCMF at December 31, 2025 and 2024 was 3.68% and 4.38%, respectively. Overall, the operating account cash and cash equivalents decreased $70,000 while the FQHC loan program cash and cash equivalents increased $169,000.

The operating account cash and cash equivalents decreased due to the decrease in the NJCMF balance offset by increases in the regular checking accounts (operating and FQHC).

Administrative fees and other receivables decreased overall by $125,000 or 6.0%. The majority of the receivables consist of the Authority's semi-annual fee billings. The semi-annual fee billings invoiced on December 31, 2025 and 2024, totaled $1,853,000 and $1,913,000, respectively, or a decrease of $60,000. One (1) new financing was added to the Authority's portfolio in 2025. Other receivables consist of trustee fees and reimbursement due from the New Jersey Department of Health ("DOH") and the New Jersey Department of Human Services ("DHS") for services that the Authority provides to those departments. The trustee fees receivable fluctuates from year to year depending on the timing of the invoices received from the trustees and the timing of the payments received from the health care institutions with which the Authority has outstanding debt.

Prepaid expenses from December 31, 2024 to December 31, 2025, increased $5,000 or 9.3%.

When comparing current assets as of December 31, 2023 to December 31, 2024, current assets increased $1,095,000 or 6.1%. Overall, the operating account cash and cash equivalents increased $696,000 while the FQHC loan program cash and cash equivalents increased $238,000. Administrative fees and other receivables increased overall by $179,000 or 9.5%. The semi-annual fee billings invoiced on December 31, 2024 and 2023, totaled $1,913,000 and $1,812,000, respectively, or an increase of $101,000.

Noncurrent assets represent the Authority's capital assets which include furniture, leasehold improvements, equipment, and automobiles whose costs are in excess of $1,000. Capital assets also included Right to Use Asset Building and Equipment. Capital assets are net of accumulated depreciation/amortization. Noncurrent assets also include the Authority's net other postemployment benefit asset.

Noncurrent assets at December 31, 2025, increased $758,000 or 44.1% when compared to December 31, 2024. The increase is mainly due to the net other postemployment benefits asset offset by depreciation/amortization of capital assets.

Financial Analysis of the Authority (Continued)

Deferred outflows of resources is a result of the requirements of the GASB Statement 68, "*Accounting and Financial Reporting for Pensions"* and GASB Statement 75*, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".*

Deferred outflows of resources at December 31, 2025 and 2024 totaled $1,882,000 and $1,926,000, respectively, representing a decrease of $44,000 or 2.3%.

Current liabilities in 2025 are comprised of accounts payable and accrued expenses, unearned revenue-annual fees, lease payable-current portion, and compensated absences payable-current portion. When compared to December 31, 2024, current liabilities decreased $48,000 or 1.7%. Accounts payable and accrued expenses decreased $26,000 or 4.0%, and unearned revenue – annual fees decreased $60,000 or 3.2% compared to December 31, 2024. The decrease in unearned revenue-annual fees is substantially due to declining outstanding balances resulting from principal payments by institutions, offset by one (1) new financing added to the Authority's portfolio in 2025. It represents the semi-annual fees billed on December 31, 2025 and 2024, which cover the periods January 1, 2026 to June 30, 2026, and January 1, 2025 to June 30, 2025, respectively. Compensated absences payable – current portion represents the portion of employees' accumulated, unused leave that is expected to be used or paid out within one year. As of December 31, 2025, the current portion of compensated absences payable was $159,000. Leases payable – current portion represents the portion of lease liabilities due to be paid out within one year. As of December 31, 2025 and 2024, the current portion of leases payable was $201,000 and $190,000.

Deferred inflows of resources is a result of GASB Statement 68 and GASB Statement 75 and at December 31, 2025 and 2024 totaled $1,816,000 and $1,705,000, respectively, representing a increase of $111,000 or 6.5%.

Long-term liabilities represent compensated absences payable in accordance with the requirements of GASB Statement 101, long-term lease payable in accordance with the requirements of GASB Statement 87, and actuarially calculated net pension liability in accordance with the requirements of GASB Statements 68 and 75. Long-term liabilities as of December 31, 2025 and 2024 are $4,172,000 and $4,339,000, respectively, which is a decrease of $167,000 or 3.8%. The decrease is due to the decline in long-term lease payable offset by an increase in the actuarially calculated net pension liability. The long-term lease payable decreased $218,000 when compared to December 31, 2024, and the actuarially calculated net pension liability increased $57,000 when compared to December 31, 2024. The Authority has implemented GASB issued Statement No. 101, *Compensated Absences*. It should be noted that a retiree is entitled to payment for up to one-half of their accrued sick time; but the amount of the payment cannot exceed $15,000.

Financial Analysis of the Authority (Continued)

Changes in Net Position – The following table presents the changes in net position for the years ended December 31, 2025, 2024, and 2023:

	2025	2024	2023 (As Restated)	Change 2025-2024	% Change
	($000)	($000)	($000)	($000)	(%)
Operating revenues					
Administrative fees					
Annual fees	$ 3,776	$ 3,742	$ 3,688	$ 34	0.9%
Initial fees	1	69	20	(68)	-98.6%
Administrative fees - Neighborhood Loan	-	-	2	-	0.0%
Per series/per master lease fees	-	30	20	(30)	-100.0%
Mortgage servicing and					
Section 142 (d) fees	30	26	14	4	15.4%
Note Interest Income Designated					
FQHC loan program	-	-	20	-	0.0%
Other income	9	9	9	-	0.0%
Total operating revenues	3,816	3,876	3,773	(60)	-1.5%
Operating expenses					
Salaries and related expenses	2,994	2,599	2,031	395	15.2%
General and administrative	339	336	313	3	0.9%
Professional fees and other	166	191	197	(25)	-13.1%
Depreciation/amortization expense	260	255	259	5	2.0%
Total operating expenses	3,759	3,381	2,800	378	11.2%
Operating income	57	495	973	(438)	-88.5%
Nonoperating revenues					
Interest income from investments	740	887	764	(147)	-16.6%
Total nonoperating revenues	740	887	764	(147)	-16.6%
Change in net position	797	1,382	1,737	(585)	-42.3%
Net position, beginning of year - as previously stated	13,846	12,464	10,903	1,382	11.1%
Restatement - adoption of new accounting standard	-	-	(176)	-	-100.0%
Net position, beginning of year, restated	13,846	12,464	10,727	1,382	11.1%
Net position, end of year	$ 14,643	$ 13,846	$ 12,464	$ 797	5.8%

Beginning net position for 2024 was restated by ($176,000) as a result of the adoption of GASB Statement No. 101 *"Compensated Absences"*. The adoption resulted in the recognition of increased compensated absence liability, reducing beginning net position.

Financial Analysis of the Authority (Continued)

The Authority's net position increased $797,000 or 5.8% from December 31, 2024 to December 31, 2025. The Authority's net position increased $1,382,000 or 11.1% from December 31, 2023 to December 31, 2024.

Operating revenues - During 2025, total operating revenues decreased $60,000, or 1.5% compared to 2024. When comparing the total annual fees received through December 2025 to December 2024, there was an increase of $34,000 or 0.9%. The increase is substantially due to full year effect of new financings in 2024, offset by declining outstanding balances. Initial fees decreased $68,000 compared to 2024 while per series fees decreased $30,000 compared to 2024. Initial fees and per series fees can fluctuate from year to year depending on Authority financing activity, the financing needs of the health care institutions, the actual/estimated bond size and the current economic climate. During 2025, there were no per series fees received. The Authority did receive initial fees for Capital Asset Program applications in the amount of $500 in 2025.

During 2024, three (3) per series fees were received in the amount of $30,000 and $69,000 in initial fees were received. The increase was due to new financings and refinancing of issues in 2024.

During 2023, two (2) per series fees were received in the amount of $20,000 and $20,000 in initial fees were received. The increase was due to new financings and refinancing of issues in 2023.

Interest income in 2025 was $740,000 compared to $887,000 in 2024 and $764,000 received in 2023. This increase or decrease from year to year is a function of the variable interest rate on the NJCMF.

Operating expenses – During 2025, operating expenses increased $378,000 or 11.2% when compared to 2024. The increase is mainly due to Salaries and Related Expenses.

When comparing operating expenses during 2024 to 2023, there was an increase of $581,000 or 20.8%. The increase is mainly due to Salaries and Related Expenses, and General and administrative expenses.

Nonoperating revenues – Interest income in 2025 and 2024 represented interest earned on the Authority's checking accounts, and the operating funds invested in the NJCMF. During 2025, nonoperating revenues decreased $147,000 or 16.6% due to the decrease in the interest rate in the NJCMF from an average of 5.08% in 2024 to an average of 4.14% in 2025.

Interest income in 2024 and 2023 represented interest earned on the Authority's checking accounts and the operating funds invested in the NJCMF. Interest income totaled $887,000 in 2024 and $764,000 in 2023. The average yield of the NJCMF for 2024 and 2023 was 5.08% and 4.98%, respectively. The increase is due to the increase in the interest rate in the NJCMF.

Contacting the Authority's Financial Management

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

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

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025 ($000)	2024 ($000)
Assets		
Current assets:		
Cash and cash equivalents	$ 12,910	$ 12,980
Cash and cash equivalents - designated FQHC loan program	4,159	3,990
Administrative fees and other receivables	1,945	2,070
Prepaid expenses	55	50
Total current assets	19,069	19,090
Noncurrent assets:		
Net other postemployment benefit asset	1,173	182
Capital assets	3,099	3,072
Less accumulated depreciation/amortization	(1,794)	(1,534)
Total noncurrent assets	2,478	1,720
Total assets	21,547	20,810
Deferred outflows of resources		
Deferred outflows of resources - related to pensions	539	206
Deferred outflows of resources - related to other postemployment benefits	1,343	1,720
Total deferred outflows of resources	1,882	1,926
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	624	649
Unearned revenue - annual fees	1,814	1,874
Compensated absences payable - current portion	159	133
Lease payable - current portion	201	190
Total current liabilities	2,798	2,846
Long-term liabilities:		
Compensated absences payable	161	167
Long-term lease payable	1,173	1,391
Net pension liability	2,838	2,781
Total long-term liabilities	4,172	4,339
Total liabilities	6,970	7,185
Deferred inflows of resources		
Deferred inflows of resources - related to pensions	397	351
Deferred inflows of resources - related to other postemployment benefits	1,419	1,354
Total deferred inflows of resources	1,816	1,705
Net position		
Net investment in capital assets	(69)	(43)
Unrestricted		
Undesignated	10,553	9,899
Designated - FQHC loan program	4,159	3,990
Total net position	$ 14,643	$ 13,846

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

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	Year Ended December 31, 2025 ($000)	Year Ended December 31 2024 ($000)
Operating revenues		
Administrative fees		
Annual fees	$ 3,776	$ 3,742
Initial fees	1	69
Per series/per master lease fees	-	30
Section 142 (d) fees	30	26
Other income	9	9
Total operating revenues	3,816	3,876
Operating expenses		
Salaries and related expenses	2,994	2,599
General and administrative expenses	339	336
Professional fees	166	191
Depreciation/amortization expense	260	255
Total operating expenses	3,759	3,381
Operating income	57	495
Nonoperating revenues		
Interest income from investments	740	887
Total nonoperating revenues	740	887
Changes in net position	797	1,382
Net position, beginning of year	13,846	12,464
Net position, end of year	$ 14,643	$ 13,846

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

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025 ($000)	2024 ($000)
Cash flows from operating activities		
Cash received from customers	$ 3,868	$ 3,779
Cash payment to suppliers and employees	4,275	(3,542)
Net cash from operating activities	(407)	237
Cash flows from capital and related financing activities		
Acquisition of capital assets	(27)	(28)
Lease payments	(207)	(199)
Net cash from capital and related financing activities	(234)	(227)
Cash flows from noncapital financing activities		
Note repayments from client institution - designated FQHC loan program	-	37
Net cash from noncapital financing activities	-	37
Cash flows from investing activities		
Investment income	740	887
Net cash from investing activities	740	887
Net change in cash and cash equivalents	99	934
Cash and cash equivalents, beginning of year	16,970	16,036
Cash and cash equivalents, end of year	$ 17,069	$ 16,970
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 57	$ 495
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation/amortization	260	255
Changes in assets, liabilities and related deferred inflows and outflows of resources:		
Administrative fees and other receivables	125	(179)
Notes interest receivable - designated FQHC loan program	-	1
Prepaid expenses	(5)	(20)
Accounts payable and accrued expenses	(26)	120
Unearned revenue	(60)	101
Compensated absences	21	34
Net pension expense	(230)	(259)
Net OPEB expense	(549)	(311)
Net cash from operating activities	$ (407)	$ 237

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

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

STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2025 AND 2024

	Other Employee Benefit Trust Fund	
	2025	2024
	($000)	($000)
Assets		
Current assets:		
Restricted cash and cash equivalents	$ 8,801	$ 7,877
Total current assets	8,801	7,877
Total assets	$ 8,801	$ 7,877
Net position restricted for other postemployment benefits	$ 8,801	$ 7,877

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

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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025 ($000)	2024 ($000)
Additions:		
Contribution to trust	$ 800	$ 460
Interest and dividend income	336	383
Administrative expenses	1	1
Total additions	1,137	844
Deductions:		
Benefits payments	(213)	(202)
Total deductions	(213)	(202)
Change in fiduciary net position	924	642
Net position beginning of year	7,877	7,235
Net position end of year	$ 8,801	$ 7,877

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

A. ORGANIZATION

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

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

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

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

A. ORGANIZATION (CONTINUED)

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

The Authority is exempt from both federal and state taxes.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Authority is a self-supporting entity and follows enterprise fund reporting, as well as reports its OPEB trust in a fiduciary fund; and accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

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

Use of Estimates

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

Operating Revenues and Expenses

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Administrative Fees
The Authority charges an upfront fee comprised of an initial fee, per series fee or per master lease fee to those health care organizations that have executed a Memorandum of Understanding signifying the organization's intentions to have the Authority finance a project through the issuance of bonds, notes or through the entering of a master lease. A separate application fee is charged to those health care organizations who wish to finance a project through the issuance of a Capital Asset Program Loan. An annual fee is also charged to those health care organizations for which bond sales, note sales and/or lease agreements have been completed. Such fees are charged for the processing of project costs, investment management of bond proceeds, monitoring of financial performance and other services provided to the organizations. For the Authority's Federally Qualified Health Centers ("FQHCs") loan program, an initial fee, closing fee and annual fee is charged. The fees are charged for the processing of the loan, processing of project costs, if any, and monitoring of financial performance. The administrative fees are used to provide sufficient funds to ensure that the Authority's operating expenses will be met, and that sufficient funds will be available to provide for the Authority's needs, including but not limited to, the coverage of Authority members' legal liability as a result of official actions and research and development costs consistent with the Authority's legislation. All administrative fees are deemed collectible.

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

Capital Assets
The Authority capitalizes fixed assets of $1,000 or more. Capital assets as listed below are depreciated/amortized 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
Office lease right-of-use-asset	11 years

Cash and Cash Equivalents

The Authority classifies all highly liquid investments with an original maturity of ninety days or less as cash and cash equivalents. Cash and cash equivalents consist of the Authority's checking account, units of the State of New Jersey Cash Management Fund ("NJCMF"), and Restricted OPEB Trust.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The components of cash and cash equivalents, as reflected in the statements of cash flows, at December 31, 2025 and 2024, are:

	2025 ($000)	2024 ($000)
Operating and Trustee checking accounts	$ 213	$ 59
NJCMF - operating	12,697	12,921
NJCMF - designated FQHC loan program	4,159	3,990
Total cash and cash equivalents	$ 17,069	$ 16,970

Compensated Absences

The liability for compensated absences represents the vacation and sick time ("leave"/"leave days") and salary related payments which have been earned for services previously rendered by employees and accumulates in accordance with the Authority's policies. It is allowed to be carried over to subsequent year(s) and is deemed more likely than not (by management) to be used for time off or otherwise paid/settled in the future. Vacation days are pro-rated at commencement or termination of employment, as well as leaves of absences. The liability is calculated based on each employees' rate of pay and the number of unused leave days accumulated as of year-end. Sick leave is for eligible employees who retire with accrued sick leave. The retiring employee may be compensated for up to one-half of their accrued sick time; but the amount of payment cannot exceed $15,000. Management's assumption that the likelihood of future use (either by use during employment or settlement/payment upon separation from service) is probable, and the salary-related payments that are directly and incrementally associated with payments for the leave. The Authority utilizes historical data of past usage patterns to estimate the expected usage and payment of compensated absences. The liability for compensated absences is reflected in the Authority's financial statements as current and long-term liabilities.

Recently Issued Accounting Pronouncements

The GASB issued Statement No. 102 "*Certain Risk Disclosures*" in December 2025. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Authority evaluated the requirements of this Statement and determined that its adoption did not have a material impact on the Authority's financial statements for the year ended December 31, 2025.

The GASB issued Statement No. 103 "*Financial Reporting Model Improvements*" in April 2024. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The GASB issued Statement No. 104 "*Disclosure of Certain Capital Assets*" in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

The GASB issued Statement No. 105, "*Omnibus 2024"*, in December 2024. This Statement addresses a variety of accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

C. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's investment policy permits the following securities and investment vehicles: (i) Obligations of or guaranteed by the State of New Jersey or the United States of America (including obligations which have been stripped of their unmatured interest coupons, and interest coupons which have been stripped from such obligations); (ii) Obligations issued or guaranteed by any instrumentality or agency of the United States of America, whether now existing or hereafter organized; (iii) Obligations issued or guaranteed by any state of the United States or District of Columbia, so long as such obligations are rated at the time of purchase in either of the highest two credit rating categories by any two nationally recognized securities rating agencies; (iv) Repurchase agreements and guaranteed investment contracts with any banking institution, where such agreement or contract is fully secured by obligations of the kind specified in (i), (ii) or (iii) above, provided that such security is held by a third party and that the seller of such obligations represents that such obligations are free and clear of claims by any other party; (v) Interest-bearing deposits in any bank or trust company provided that all such deposits shall, to the extent not insured, be secured by a pledge of obligations of the kind in (i), (ii) or (iii); (vi) Units of participation in the NJCMF, or any similar common trust fund which is established pursuant to law as a legal depository of public moneys and for which the New Jersey State Treasurer is custodian; and (vii) Shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, and which (1) invests its assets exclusively in obligations of or guaranteed by the United States of America or any instrumentality or agency thereof having in each instance a final maturity date of less than one year from their date of purchase; (2) seeks to maintain a constant net position value per share; and (3) has aggregate net position of not less than $50,000,000 on the date of purchase of such shares.

C. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The Authority has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its Cash, 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. If the Authority had investment securities they would be exposed to custodial credit risk if the securities were uninsured, were not registered in the name of the Authority, or held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

The investment risk is that, in the event of the failure of the counterparty to a transaction, the Authority would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At December 31, 2025 and December 31, 2024, the Authority's bank balance of $267,000 and $91,000, respectively, was exposed to custodial credit risk to the extent the amount exceeded $250,000 of FDIC insurance. The NJCMF balance of $16,856,000 and $16,911,000 at December 31, 2025 and December 31, 2024, respectively, which is administered by the New Jersey Department of the Treasury, Division of Investments, invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, Short-Term Commercial Paper, U.S. Government Agency Bonds, Corporate Bonds and Certificates of Deposits. Agencies that are part of the NJCMF typically earn returns that mirror short-term interest rates. The NJCMF is considered an investment pool and as such is not exposed to custodial credit risk. The Authority does not have a formal policy for deposit custodial credit risk other than to maintain sufficient funds in the checking account to cover checks that have not cleared the account as of a specific date. The majority of available funds were being held in the NJCMF, which are classified as cash and cash equivalents. The Authority does not have a formal policy for investment securities custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution. The Authority also has $8,801,000 and $7,877,000 cash equivalents related to its OPEB Trust in the fiduciary fund deposited with the NJCMF as of December 31, 2025 and 2024, respectively.

(b) Concentration of Credit Risk - This is the risk associated with the amount of investments the Authority has with any one issuer that exceed five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments were excluded from this requirement. The Authority places no limit on the amount it may invest in any one issuer. The Authority does not have any concentration of credit risk since there were no investments in the Authority's portfolio as of December 31, 2025 and 2024.

C. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

(c) Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Authority does not have an investment policy regarding credit risk except to the extent previously outlined under the Authority's Investment Policy.

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

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

The Authority currently has no FQHCs in the loan program.

E. CAPITAL ASSETS

The following schedule is a summarization of changes in capital assets for the years ended December 31, 2025 and 2024.

	December 31, 2025			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Being Depreciated/Amortized:				
Computers and Equipment	$ 247,050	$ 16,740	$ -	$ 263,790
Furniture and Fixtures	275,725	9,902	-	285,627
Automobiles	25,465	-	-	25,465
Leasehold Improvements	172,367	-	-	172,367
Right-of-Use Asset - Equipment	22,201	-	-	22,201
Right-of-Use Asset - Office Space	2,329,241	220	-	2,329,461
Total Capital Assets Being Depreciated/Amortized	3,072,049	26,862	-	3,098,911
Accumulated Depreciation	(676,026)	(37,704)		(713,730)
Accumulated Amortization	(858,207)	(222,224)		(1,080,431)
Net Capital Assets	$ 1,537,816	$ (233,066)	$ -	$ 1,304,750

	December 31, 2024			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Being Depreciated/Amortized:				
Computers and Equipment	$ 222,938	$ 24,112	$ -	$ 247,050
Furniture and Fixtures	271,632	4,093	-	275,725
Automobiles	25,465	-	-	25,465
Leasehold Improvements	172,367	-	-	172,367
Right-of-Use Asset - Equipment	22,201	-	-	22,201
Right-of-Use Asset - Office Space	2,329,241	-	-	2,329,241
Total Capital Assets Being Depreciated/Amortized	3,043,844	28,205	-	3,072,049
Accumulated Depreciation	(642,800)	(33,226)	-	(676,026)
Accumulated Amortization	(635,983)	(222,224)	-	(858,207)
Net Capital Assets	$ 1,765,061	$ (227,245)	$ -	$ 1,537,816

F. LONG-TERM LIABILITIES

During the years ended December 31, 2025 and 2024, the following changes occurred in long-term liabilities.

	December 31, 2025				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Leases	$ 1,580,986	$ -	$ 206,239	$ 1,374,747	$ 201,139
Compensated Absences*	300,452	20,383	-	320,835	159,216
Net Pension Liability	2,780,959	58,000	-	2,838,959	-
Net OPEB Liability	-	-	-	-	-
Net Long-Term Liabilities	$ 4,662,397	$ 78,383	$ 206,239	$ 4,534,541	$ 360,355

	December 31, 2024				
	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Current Portion
Leases	$ 1,780,148	$ -	$ 199,162	$ 1,580,986	$ 189,726
Compensated Absences*	266,409	34,043	-	300,452	133,093
Net Pension Liability	3,033,583	-	252,624	2,780,959	-
Net OPEB Liability	-	-	-	-	-
Net Long-Term Liabilities	$ 5,080,140	$ 34,043	$ 451,786	$ 4,662,397	$ 322,819

*The change in compensated absences is shown as a net change.

G. COMPENSATED ABSENCES

The Authority has adopted policies which set forth the terms under which an employee may accumulate earned, but unused vacation and sick leave, establishes the limits on such accumulations and specifies the conditions under which the right to receive payment for such accumulations vest with the employee. In accordance with GASB Statement No. 101, “Compensated Absences”, the Authority has recognized a liability for compensated absences representing leave balances more likely than not to be paid upon termination or other use. The liability is calculated based on current pay rates and includes applicable salary-related payments (such as employer’s share of Social Security and Medicare taxes) associated with these payments. The Authority maintains up-to-date records of each employee's status relating to earned and unused sick and vacation pay.

G. COMPENSATED ABSENCES (CONTINUED)

At December 31, 2025 and 2024, the liability for compensated absences was as follows:

Description	2025	2024
Current Portion	$ 159,216	$ 133,093
Noncurrent Portion	161,620	167,359
	$ 320,835	$ 300,452

H. EMPLOYEE RETIREMENT SYSTEM

Description of Plan

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

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

Public Employees' Retirement System

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

H. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

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

Membership and contributing employers of the defined benefit pension plan consisted of the following at June 30, 2025 and 2024:

	2025	2024
Inactive plan members or beneficiaries currently receiving benefits	196,038	193,915
Inactive plan members entitled to but not yet receiving benefits	603	646
Active plan members	248,765	244,324
Total	445,406	438,885

Contributing Employers – 1,672 (As of June 30, 2025)

For the years ended December 31, 2025 and 2024 the Authority's covered payroll for all employees was $2,088,610 and $1,949,820. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Authority to active employees covered by the Plan.

Specific Contribution Requirements and Benefit Provisions – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. The member contribution rate was 7.50% of pensionable wages in State fiscal year 2024 and State fiscal year 2025. Employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Funding or noncontributory group insurance benefits is based on actual claims paid. For fiscal years 2025 and 2024, the State's pension contribution was less than the actuarially determined amount.

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

It is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution. It is assumed that the State will contribute 100% of its actuarially determined contribution and NCGIPF contribution. The 100% contribution rate is the total State contribution rate expected to be paid in fiscal year ending June 30, 2026 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2026 for all State administered retirement systems.

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

H. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The Authority's contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. The Authority's payments to PERS during the years ending December 31, 2025 and 2024 consisted of the following:

	2025	2024
Total Regular Billing	$ 315,476	$ 278,488

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PERS:

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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members with 25 years or more of service credit before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier.

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

H. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Special Funding Situation – Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employers as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the PERS reported a collective net pension liability of $12,404,749,906 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was $2,838,959 or 0.0230834971%, which was an increase of 0.0026172804% from its proportion measured as of June 30, 2024.

At June 30, 2024, the PERS reported a collective net pension liability of $13,702,423,985 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was $2,780,959 or 0.0204662167%.

The following presents a summary of the proportionate share of the State of New Jersey's changes in the collective deferred outflows of resources and deferred inflows of resources attributable to the Authority for the years ended June 30, 2025 and 2024:

H. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

	2025	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 80,944	$ 3,034
Changes in assumptions	448	32,707
Net difference between projected and actual earnings on pension plan investments	-	236,732
Changes in proportion	298,471	124,316
Authority contributions subsequent to the measurement date	158,798	-
	$ 538,661	$ 396,789

	2024	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 55,708	$ 7,404
Changes in assumptions	3,455	31,641
Net difference between projected and actual earnings on pension plan investments	-	128,945
Changes in proportion	7,528	183,486
Authority contributions subsequent to the measurement date	139,244	-
	$ 205,935	$ 351,476

The $158,798 of deferred outflows of resources resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Amount
2026	$ 64,886
2027	(82,303)
2028	(29,783)
2029	19,066
2030	11,208
Total	$ (16,926)

H. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions- The collective pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of July 1, 2024, which was rolled forward to June 30, 2025. This actuarial valuation used the following assumptions:

	June 30, 2025 and 2024
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	3.25 - 7.75% based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2016 General Below-Median Income Employee mortality table with an 86.3% adjustment for males and 97.6% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Post-retirement mortality rates were based on the Pub-2016 General Below-Median Income Healthy Retiree mortality table with a 93.3% adjustment for males and 99.5% adjustment for females, and with future improvement from the base year of 2016 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2016 Non-Safety Disabled Retiree mortality table with a 156.9% adjustment for males and 139.0% adjustment for females, and with future improvement from the base year of 2016 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2024 valuations were based on the results of an actuarial experience study for the period July 1, 2021 to June 30, 2024.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2025 and 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2025 and 2024 are summarized in the following tables:

H. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

2025

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.55%
Non-U.S. Developed Markets Equity	12.75%	8.77%
International Small Cap Equity	1.25%	8.77%
Emerging Markets Equity	5.50%	10.30%
Private Equity	13.00%	12.00%
Real Assets	3.00%	7.90%
Real Estate	8.00%	10.78%
High Yield	4.50%	6.63%
Private Credit	8.00%	9.00%
Investment Grade Credit	7.00%	5.47%
Cash Equivalents	2.00%	3.61%
U.S. Treasuries	4.00%	3.61%
Risk Mitigation Strategies	3.00%	7.26%

2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Assets	3.00%	8.20%
Real Estate	8.00%	10.95%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate – The discount rate used to measure the total pension liability was 7.00% as of June 30, 2025 and June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

H. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Sensitivity of Net Pension Liability – the following presents the net pension liability of the Authority as of June 30, 2025, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

June 30, 2025

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
PERS	$ 3,886,366	$ 2,838,959	$ 1,946,290

June 30, 2024

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
PERS	$ 3,695,211	$ 2,780,959	$ 2,002,936

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2025 and 2024 were $41,002,952,235 and $37,740,650,902, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2025 and 2024 was $31,647,959,781 and $29,413,070,105, respectively.

Additional information

Collective Local Group balances at June 30, 2025 are as follows:

Collective deferred outflows of resources	$	1,093,964,592
Collective deferred inflows of resources		1,921,744,319
Collective net pension liability		12,404,749,906
Authority's Proportion		0.0230834971%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2025 and 2024 was $435,736,779 and $372,160,096, respectively. The average of the expected remaining service lives of all plan members is 5.15, 5.08, 5.08, 5.04, and 5.13 for 2025, 2024, 2023, 2022, and 2021, respectively.

H. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

State Contribution Payable Dates

Consistent with Chapter 83, P.L. 2016, it is assumed that the State will make pension contributions in equal amounts at the end of each quarter. This assumption does not apply to the fiscal year ending June 30, 2025 contribution that was paid in full at the beginning of the fiscal year.

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2025 and June 30, 2024 are $1,390,211,483 and $1,393,655,054, respectively.

Special Funding Situation

The Authority is responsible for the actuarially determined annual contributions to the PERS, except where legislation was passed that legally obligates the State if certain circumstances occur. A special funding situation exists for the Local employers of the PERS. The State of New Jersey, as a non-employer is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this relationship as a "special funding situation", and the State of New Jersey is defined as a non-employer contributing entity.

Unaudited data provided by the PERS indicates that the total non-employer contributions made to the PERS by the State for the year ended June 30, 2025 was $59,812,730. The portion of that contribution allocated to the Authority in 2025 was $9,754 or 0.0232106046%. The June 30, 2025 State special funding situation pension expense of $51,534,322 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at $106,099,781 at June 30, 2025 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. For the years ended June 30, 2025 and 2024, the Authority's allocated special funding situation pension expense and related revenue were $9,754 and $8,966, respectively. At June 30, 2025, the Authority had no allocated share of the State's special funding situation net pension liability.

I. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

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

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

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

At January 1, 2025 and January 1, 2024, the following employees were covered by the benefit terms:

	2025	2024
Inactive employees or beneficiaries currently receiving benefits	23	23
Active employees	21	21
Total	44	44

At December 31, 2025 and 2024, funds in the Trust totaled $8,800,662 and $7,877,109, respectively. The covered payroll (annual payroll of active employees covered by the Plan) was $2,088,610 and $1,949,820 for the years ended December 31, 2025 and 2024, respectively.

The net OPEB liability was measured as of December 31, 2024 for a reporting date of December 31, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal, level percent of pay
Investment Rate of Return	2.00 percent per annum, net of investment expenses and including inflation
Health cost trand rates	For pre-Medicare medical benefits, the trend if initially 17.90% and decreases to a 3.94% long-term trend rate after twuenty years. The assumed post-65 medical trend is 9.90% for 2025 and decreases to a 3.94% long-term trend rate after twenty years.

I. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB")

For the ordinary death component of active mortality, the Pub-2016 General Below-Median Income Employee mortality table [PubG-2016(B) Employee] as published by the Society of Actuaries with an 86.3% adjustment for males and 97.6% adjustment for females, and with future improvement from the base year of 2016 on a generational basis using SOA's Scale MP-2021. All pre-retirement deaths are assumed to be ordinary deaths.

For inactive mortality, the base mortality table is the Pub-2016 General Below-Median Income Healthy Retiree mortality table [PubG-2016(B) Healthy Retiree] as published by the Society of Actuaries with a 93.3% adjustment for males and 99.5% adjustment for females, and with future improvement from the base year of 2016 on a generational basis using SOA's Scale MP-2021.

For disabled life mortality, the Pub-2016 Non-Safety Disabled Retiree mortality table [PubNS-2016 Disabled Retiree] as published by the Society of Actuaries with a 156.9% adjustment for males and 139.0% adjustment for females, and with future improvement from the base year of 2016 on a generational basis using SOA's Scale MP-2021.

The discount rate as of December 31, 2024 is 3.08% for the valuation year, which is a blended rate. Projections of the Plan's fiduciary net position have indicated that it is not expected to be sufficient to make projected benefit payments for current Plan members following the procedures described in paragraphs 48-53 of GASB Statement 74. As such, the single rate of return, as required by the Statement, is equal to a blend of the long-term expected rate of return on the Plan's assets, which is 2.00%, and the rate of return on municipal bonds, which is 4.08% as of December 31, 2025. This assumption is based on past practice and the absence of a formal funding policy for the Plan. The prior year's discount rate was 2.79%.

The changes in net OPEB liability (asset) for December 31, 2025 and 2024 is as follows:

Change in Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Net OPEB liability at beginning of year (12/31/2024)	$ 7,695,400	$ 7,877,109	$ (181,709)
Service cost	$ 225,271	$ -	$ 225,271
Interest	218,200		218,200
Changes of assumptions	(310,402)		(310,402)
Contributions		800,000	(800,000)
Net Investment Income		336,857	(336,857)
Benefit payments	(201,155)	(212,304)	11,149
Administrative expense		(1,000)	1,000
Net changes	(68,086)	923,553	(991,639)
Net OPEB liability/(asset) at end of year (12/31/2025)	$ 7,627,314	$ 8,800,662	$ (1,173,348)

I. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)

Change in Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Net OPEB liability at beginning of year (12/31/2023)	$ 6,354,108	$ 7,235,006	$ (880,898)
Service cost	$ 168,848	$ -	$ 168,848
Interest	173,625		173,625
Differences between expected and actual experience	230,940		230,940
Changes of assumptions	953,957		953,957
Contributions		460,394	(460,394)
Net Investment Income		383,364	(383,364)
Benefit payments	(186,078)	(201,155)	15,077
Administrative expense		(500)	500
Net changes	1,341,292	642,103	699,189
Net OPEB liability/(asset) at end of year (12/31/2024)	$ 7,695,400	$ 7,877,109	$ (181,709)

The OPEB benefit for 2025 and 2024 was 549,067 and 311,877, respectively.

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

December 31, 2025

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate	1% Decrease 2.08%	Discount Rate 3.08%	1% Increase 4.08%
Authority's OPEB Liability	$ 8,781,883	$ 7,627,314	$ 6,686,780
Plan Fiduciary Net Position	8,800,662	8,800,662	8,800,662
Net OPEB Liability/(Asset)	$ (18,779)	$ (1,173,348)	$ (2,113,882)

December 31, 2024

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate	1% Decrease 1.79%	Discount Rate 2.79%	1% Increase 3.79%
Authority's OPEB Liability	$ 8,908,310	$ 7,695,400	$ 6,711,146
Plan Fiduciary Net Position	7,877,109	7,877,109	7,877,109
Net OPEB Liability/(Asset)	$ 1,031,201	$ (181,709)	$ (1,165,963)

I. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)

The following presents the net OPEB liability (asset), as well as what the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

December 31, 2025

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Authority's OPEB Liability	$ 6,464,040	$ 7,627,314	$ 9,113,848
Plan Fiduciary Net Position	8,800,662	8,800,662	8,800,662
Net OPEB (Asset)/Liability	$ (2,336,622)	$ (1,173,348)	$ 313,186

December 31, 2024

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Authority's OPEB Liability	$ 6,547,161	$ 7,695,400	$ 9,163,716
Plan Fiduciary Net Position	7,877,109	7,877,109	7,877,109
Net OPEB (Asset)/Liability	$ (1,329,948)	$ (181,709)	$ 1,286,607

The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current and future retirees and spouses until 2044. After that time, benefit payments will be funded on a pay-as-you go basis. The discount rates are the single equivalent rates which result in the same present value as discounting future benefit payments made from assets at the long term expected rate of return and discounting future benefit payments funded on a pay-as-you-go basis at the municipal bond 20-year index rate.

Following are the details of the deferred inflows and outflows of resources:

December 31, 2025

Deferred Outflows of Resources	
Deferred Outflows as of January 1, 2025	$ 1,720,372
Difference between Expected and Actual Experience	287,764
Changes in Assumptions or Other Inputs	(665,051)
Deferred Outflows as of Decmber 31, 2025	$ 1,343,085

December 31, 2025

Deferred Inflows of Resources	
Deferred Inflows as of January 1, 2025	$ 1,353,672
Difference between Expected and Actual Experience	35,492
Changes in Assumptions or Other Inputs	29,693
Deferred Inflows as of December 31, 2025	$ 1,418,857

I. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS ("OPEB") (CONTINUED)

December 31, 2024	
Deferred Outflows of Resources	
Deferred Outflows as of January 1, 2024	$ 946,035
Difference between Expected and Actual Experience	361,690
Changes in Assumptions or Other Inputs	412,647
Deferred Outflows as of December 31, 2024	$ 1,720,372

December 31, 2024	
Deferred Inflows of Resources	
Deferred Inflows as of January 1, 2024	$ 1,590,401
Difference between Expected and Actual Experience	60,688
Changes in Assumptions or Other Inputs	(297,417)
Deferred Inflows as of December 31, 2024	$ 1,353,672

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2026	$ (118,171)
2027	(6,143)
2028	34,092
2029	(66,134)
2030	124,928
Thereafter	(44,344)
	$ (75,772)

The average of the expected remaining service lives of all employees that are provided with benefits through the plan (active and inactive employees) as of December 31, 2025 (determined at the beginning of the measurement period) is 7.00 years.

J. LEASES

The Authority is a lessee for noncancellable leases of office space and two copiers. The Authority recognizes a lease liability and an intangible right-to-use lease asset ("lease asset") in the financial statements.

At commencement of a lease, the Authority initially measures the lease liability at the value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include:

J. LEASES (CONTINUED)

Discount Rate	The Authority uses the interest rate charged by the lessor as indicated in the agreement. When the interest rate charged by the lessor is not provided the Authority generally uses its estimated incremental borrowing rate as the rate for leases.
Lease Term	The lease term includes the noncancellable period of the lease.
Lease Payments	Lease payments included in the measurement of the lease liability are comprised of fixed payments and any purchase option price that the Authority is reasonably certain to exercise.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

The Authority entered into noncancelable leases with various third parties. Current lease activities include the right-to-use office space and two copiers. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liabilities are composed of fixed payments and the Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. The Authority's leases have interest rates of 4.00%.

On September 24, 2021, the Authority entered into a lease for office space from September 24, 2021 to September 23, 2026 with an automatic five-year renewal term (September 24, 2026 through September 23, 2031). An initial lease liability for the office space was recorded in the amount of $2,329,241. The value of the right of use asset as of December 31, 2025 was $2,329,461 with accumulated amortization of $1,083,368. The Authority also paid operating expenses which are not included in the measurement of the lease liability as they are variable in nature. The Authority paid $77,118 during the year toward those variable costs.

On May 1, 2023, the Authority entered into a lease for a copier from May 1, 2023 to May 1, 2027. An initial lease liability for the copier was recorded in the amount of $22,201 at December 31, 2025. The value of the right of use asset as of December 31, 2025 was $22,201 with accumulated amortization of $14,801.

J. LEASES (CONTINUED)

The following is a summary of the remaining lease principal and interest payments as of December 31, 2025:

Year Ending December 31,	Principal	Interest	Total Payment
2026	$ 201,139	$ 55,650	$ 256,789
2027	231,034	46,944	277,978
2028	238,211	37,703	275,914
2029	247,739	28,175	275,914
2030	257,648	18,265	275,913
2031	198,976	7,959	206,935
	$ 1,374,747	$ 194,696	$ 1,569,443

K. RELATED-PARTY TRANSACTIONS

Operating expenses for the years ended December 31, 2025 and 2024, include approximately $398,866 and $423,131, respectively, relating to payments for goods and services provided by various State agencies.

L. CONDUIT DEBT AND MASTER LEASE OBLIGATIONS

Due to the fact that the bonds and notes issued by the Authority are nonrecourse conduit debt obligations of the Authority, the Authority has, in effect, none of the risks or rewards of the related financing. The Authority has not extended any limited, voluntary, or additional commitments in relation to the conduit debt obligations. Accordingly, with the exception of certain fees generated as a result of the financing transaction, the financing transaction is given no accounting recognition in the accompanying financial statements. During the years ended December 31, 2025 and 2024, the Authority issued $30,000,000 and $1,115,865,000, respectively, in conduit debt. The amount of conduit debt outstanding at December 31, 2025 and 2024, totaled $6,167,224,000 and $6,333,124,000, respectively. Total assets for the trustee held funds relating to the conduit debt were $6,255,000 and $6,425,410,000, for the years ended December 31, 2025 and 2024, respectively. Total liabilities and net position for the trustee held funds relating to the conduit debt were $6,255,225,000 and $6,425,410,000 as of December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, the master leasing program did not have any outstanding lease balances.

M. RISK MANAGEMENT

The Authority maintains a Not-For-Profit Protector Individual and Organization Insurance Policy (Directors and Officers Liability) that provides protection to the Authority's past, present and future members, committee members, officers and staff for official actions that may have been taken while carrying out their normal duties on behalf of the Authority. The Authority's policy which covers the period December 18, 2024 through December 18, 2025, has a $20 million liability limit with a retention level of $250,000 at a premium cost of $75,525.

N. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the Statement of Net Position date through August 4, 2026, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority has determined that no subsequent events have occurred which require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS OF RETIREE HEALTH PLAN

Schedule of Contributions ($000)										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial determined contribution	$ -	$ 460	$ -	$ 970	$ -	$ -	$ 79	$ 28	$ 358	$ 564
Authority determined contribution	800	-	-	-	-	-	-	-	-	-
Authority contributions	(800)	(460)	-	(970)	-	-	(79)	(28)	(358)	(564)
Contribution deficiency(excess)	$ -	$ (460)	$ -	$ (970)	$ -	$ -	$ (79)	$ (28)	$ (358)	$ (564)
Covered employee payroll	$ 2,089	$ 1,950	$ 1,682	$ 1,649	$ 1,595	$ 1,584	$ 1,602	$ 1,471	$ 1,517	$ 1,550
Contributions as a percentage of covered employee payroll	38.30%	23.61%	0.00%	58.82%	0.00%	0.00%	4.93%	1.90%	23.60%	36.39%

Notes to Schedule:

Valuation Date	December 31, 2024
Measurement Date	December 31, 2024 for Fiscal Year End December 31, 2025 reporting.
Actuarial Cost Method	Entry Age Normal, level percent of pay. Service Costs are attributed through all assumed ages of exit from active service.
Asset Valuation	Market values.
Miscellaneous	The valuation was prepared on an on-going plan basis.
Discount Rate	The discount rate was 2.79% as of December 31, 2023 in the prior valuation. For these results, a discount rate of 3.08% was used as of December 31, 2024.

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

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

	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability							
Service cost	$ 225,271	$ 168,848	$ 212,660	$ 226,838	$ 199,260	$ 260,196	$ 265,018
Interest	218,200	173,625	126,640	104,166	125,560	255,160	236,801
Differences between expected and actual experience		230,940		286,546	(19,113)	(134,096)	(35,530)
Changes of assumptions or other inputs	(310,402)	953,957	(1,006,915)	410,088	602,607	(1,176,699)	(277,306)
Benefit payments	(201,155)	(186,078)	(170,954)	(155,547)	(139,112)	(178,499)	(136,996)
Net change in total OPEB liability	(68,086)	1,341,292	(838,569)	872,091	769,202	(973,938)	51,987
Total OPEB liability-beginning	7,695,400	6,354,108	7,192,677	6,320,586	5,551,384	6,525,322	6,473,335
Total OPEB liability-ending	$ 7,627,314	$ 7,695,400	$ 6,354,108	$ 7,192,677	$ 6,320,586	$5,551,384	$6,525,322
Plan Fiduciary Net Position							
Net investment income							$ 138,247
Interest	$ 336,857	$ 383,364	$ 113,043	$ 80,436	$ 2,661	$ 43,818	102,457
Deposits	800,000	460,394		970,149			79,348
Capital gains			215,044				4,600
Benefit payments	(212,304)	(201,155)	(228,752)	(128,281)	(155,547)	(139,112)	(136,996)
Adjustments			(8,661)		(8)		(30,258)
Other disbursements							(130,405)
Administrative expense	(1,000)	(500)		(500)	(500)	(500)	(500)
Net Change in plan fiduciary net position	923,553	642,103	90,674	921,804	(153,394)	(95,794)	26,493
Plan fiduciary net position-beginning	7,877,109	7,235,006	7,144,332	6,222,528	6,375,922	6,471,716	6,445,223
Plan fiduciary net position-ending	$ 8,800,662	$ 7,877,109	$ 7,235,006	$ 7,144,332	$ 6,222,528	$6,375,922	$6,471,716
Net OPEB (Asset) Liability - ending	$ (1,173,348)	$ (181,709)	$ (880,898)	$ 48,345	$ 98,058	$ (824,538)	$ 53,606
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	115.38%	102.36%	113.86%	99.33%	98.45%	114.85%	99.18%
Covered employee payroll	$ 2,088,610	$ 1,949,820	$ 1,682,362	$ 1,648,983	$ 1,594,965	$1,583,697	$1,602,132
Net OPEB (Asset) Liability as a percentage of covered-employee payroll	-56.18%	-9.32%	-52.36%	2.93%	6.15%	-52.06%	3.35%

Notes to Schedule:

The discount rate was 2.79% as of December 31, 2023 in the prior valuation. For these results, a discount rate of 3.08% was used as of December 31, 2024.

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

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of Net Pension Liability	0.0230834971%	0.0204662167%	0.0209438302%	0.0219301720%	0.0222622652%	0.0221397776%	0.0219043702%	0.0216835200%	0.0218833644%	0.0219413703%
Proportionate Share of Net Pension Liability	$ 2,838,959	$ 2,780,959	$ 3,033,583	$ 3,309,565	$ 2,637,299	$ 3,610,419	$ 3,946,835	$ 4,269,378	$ 5,094,097	$ 6,498,405
Covered-Employee Payroll	2,088,610	1,949,820	1,648,983	1,648,983	1,594,965	1,583,697	1,602,132	1,470,782	1,517,320	1,549,905
Proportionate Share of Net Pension Liability as a Percentage of Payroll	135.93%	142.63%	183.97%	200.70%	165.35%	227.97%	246.35%	290.28%	335.73%	419.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.84%	68.22%	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.08%

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

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate remained the same at 7.00% as of June 30, 2024 and June 30, 2025.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – PERS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 315,476	$ 278,488	$ 279,920	$ 276,550	$ 260,717	$ 242,198	$ 213,066	$ 215,681	$ 196,999	$ 217,490
Contribution in Relation to the Contractually Required Contribution	315,476	278,488	279,920	276,550	260,717	242,198	213,066	215,681	196,999	217,490
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 2,088,610	$ 1,949,820	$ 1,648,983	$ 1,648,983	$ 1,594,965	$ 1,583,697	$ 1,602,132	$ 1,470,782	$ 1,517,320	$ 1,549,905
Contributions as a Percentage of Covered-Employee Payroll	15.10%	14.28%	16.98%	16.77%	16.35%	15.29%	13.30%	14.66%	12.98%	14.03%

OTHER SUPPLEMENTARY INFORMATION –
TRUSTEE HELD FUNDS

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

STATEMENTS OF NET POSITION FOR TRUSTEE HELD FUNDS
DECEMBER 31, 2025 AND 2024

	2025 ($000)	2024 ($000)
Assets		
Mortgages and loans receivable, net	$ 5,557,103	$ 5,650,142
Capital asset program notes receivable, net	1,929	5,786
Lease receivable	163,290	149,900
State contract bonds receivable	126,080	134,460
Construction/program accounts		
Cash and cash equivalents	230,518	308,468
Investments	552	1,122
Prepaid expenses	6	13
Debt service accounts		
Cash and cash equivalents	137,016	136,185
Investments	207	253
Receivable from master trustee/institution	9,446	9,816
Debt service reserve accounts		
Cash and cash equivalents	28,995	29,163
Investments	83	102
Total assets	$ 6,255,225	$ 6,425,410
Liabilities and net position		
Bonds payable	$ 6,167,224	$ 6,333,124
Accrued interest payable	86,629	91,202
Accrued expenses	117	118
Capital Asset Program net position	1,255	966
Total liabilities and net position	$ 6,255,225	$ 6,425,410

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

STATEMENTS OF CASH FLOWS FOR TRUSTEE HELD FUNDS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025 ($000)	2024 ($000)
Cash flows from operating activities		
Payments received from institutions under agreements	$ 428,453	$ 410,465
Equity contributions from institutions	225	245
Disbursements for construction/acquisition and issuance expense	(121,254)	(418,886)
Other receipts	33,731	395,626
Net cash from operating activities	341,155	387,450
Cash flows from noncapital financing activities		
Face amount of revenue bonds	30,000	616,514
Net proceeds from sale of revenue bonds	30,000	616,514
Principal/premium paid on revenue bonds	(195,900)	(549,297)
Interest paid on revenue bonds	(267,152)	(267,517)
Net cash from noncapital financing activities	(433,052)	(200,300)
Cash flows from investing activities		
Interest on investments	14,610	11,630
Net cash from investing activities	14,610	11,630
Net increase (decrease) in cash and cash equivalents	(77,287)	198,780
Cash and cash equivalents, beginning of year	473,816	275,036
Cash and cash equivalents, end of year	$ 396,529	$ 473,816

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

NOTES TO OTHER SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025 AND 2024

A. BACKGROUND – CONDUIT DEBT

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- *Capital Asset Program* - Accounts for the receipt and disbursement of funds in connection with the Authority's Capital Asset Revenue Bonds, Series A and B. The Program was designed to issue loans to certain eligible borrowers for capital asset needs. These bonds were initially issued without designated borrowers. Under the Capital Asset Program, the Authority was required to establish a Debt Service Reserve Fund which may be used to pay debt service if pledged revenues are insufficient.

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

C. MORTGAGES AND LOANS RECEIVABLE

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

Among other things, the mortgages provide first liens on the physical property financed with the bond proceeds, and in some instances, all after-acquired property and previously existing facilities. The Authority has assigned all of its rights, title and interest in such security to the trustee bank for each respective issue. As of December 31, 2025 and 2024 there were no mortgage receivable balances.

C. MORTGAGES AND LOANS RECEIVABLE (CONTINUED)

As of December 31, 2025 and 2024, loans receivable were:

	2025 ($000)	2024 ($000)
Loans		
Secured by pledge of collateral with trustees:		
Christian Health Care Center	$ 3,440	$ 3,690
Wiley Mission Project	2,863	3,599
Virtua Health, Inc.	34,550	36,825
St. Ann's Home for the Aged	8,085	8,444
Samaritan Healthcare and Hospice	5,479	5,774
University Hospital	226,310	232,615
Village Drive Health Care	22,355	22,530
Secured by pledge of gross receipts under Master Trust Indenture:		
Hackensack Medical Center (currently Hackensack Meridian Health)	55,152	58,257
Saint Peter's Medical Center (currently Saint Peter's University Hospital)	84,925	91,685
Hunterdon Medical Center	96,354	101,745
St. Joseph's Hospital and Medical Center Obligated Group	242,885	248,765
AHS Hospital Corporation	312,100	325,550
Christian Health Care Center	6,410	7,285
Virtua Health, Inc.	439,465	451,625
Meridian Health System Obligated Group (currently Hackensack Meridian Health)	189,174	196,018
Princeton Healthcare System	222,875	229,590
Holy Name Medical Center	88,412	95,187
St. Luke's Warren Hospital Obligated Group	39,410	39,410
Inspira Health Obligated Group	627,240	638,205
RWJ Barnabas Health Obligated Group	2,063,130	2,108,610
Hackensack Meridian Health	488,890	507,190
Valley Health System	279,240	291,345
Atlanticare Health System	265,170	270,620
Paragon Senior Living	23,940	24,200
Total loans receivable	5,827,855	5,998,764
Less cash and investments held by trustees	270,752	348,622
Loans receivable, net	$ 5,557,103	$ 5,650,142

D. CAPITAL ASSET PROGRAM NOTES RECEIVABLE

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

As of December 31, 2025 and 2024, Capital Asset Program notes receivable were:

	2025 ($000)	2024 ($000)
Hackensack Meridian Health, Inc.	$ 1,929	$ 5,786
Total Capital Asset Program notes receivable	$ 1,929	$ 5,786

E. EQUIPMENT REVENUE NOTES RECEIVABLE

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

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

There are no Equipment Revenue Notes Receivable as of December 31, 2025 and 2024.

F. LEASE RECEIVABLE

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

F. LEASE RECEIVABLE (CONTINUED)

On May 14, 2024, the Authority issued lease revenue bonds in the aggregate principal amount of $109,975,000 for Greystone Park Psychiatric Hospital Series 2024. The Authority had previously financed the construction of a replacement hospital on the Greystone campus through the issuance of DHS, Lease Revenue Bonds, in two phases: Phase I, for approximately $19 million, was completed in 2003 and provided funds for the design and construction of renovations and additions to Greystone, the demolition of certain improvements, and the construction of certain roadways on the campus. Phase II, for approximately $186.5 million, was completed in 2005 and provided funds for new construction of a 450 bed hospital, renovations to existing facilities and the acquisition of equipment, capitalized interest and the related costs of issuance. The proceeds of the Series 2013A Bonds financed the final demolition and remediation work associated with the old Greystone property. The proceeds of the Series 2013B Bonds refunded the 2003 and 2005 series of bonds. The proceeds of the Series 2024 Bonds will be used for (i) the refunding and defeasance of the NJHCFFA Greystone 2013A and 2013B Bonds, and (ii) paying the related costs of issuance.

Also on May 14, 2024, the Authority issued lease revenue bonds in the aggregate principal amount of $54,100,000 for Marlboro Psychiatric Hospital Series 2024. The Authority had previously financed, through the issuance of its Series 2013 Bonds, (i) the demolition and remediation of the facilities related to Marlboro Psychiatric Hospital in Monmouth County, NJ, (ii) funded capitalized interest, and (iii) paid cost of issuance. The proceeds of the Series 2024 Bonds will be used for (i) the refunding and defeasance of all or a portion of the NJHCFFA Marlboro 2013 Bonds, and (ii) the payment of related costs of issuance.

On June 12, 2025, the Authority issued DOH Lease Revenue Bonds Series 2025 in the aggregate principal amount of $30,000,000. The proceeds of the Series 2025 Bonds will be used for: (a) the
conduct of an investment grade energy audit; (b) the development of an energy savings plan; (c) the removal and/or demolition of equipment and building components as required; (d) the construction, reconstruction, rehabilitation, renovation, equipping and installation of new equipment, building systems and/or building improvements for or to facilitate energy conservation and energy efficiency purposes on the leased premises; (e) services of a third-party measurement and verification consultant to produce energy savings reports for three (3) years post-construction; and (f) the payment of related costs of issuance.

	2025 ($000)	2024 ($000)
Greystone Park Psychiatric Hospital	$ 84,480	$ 97,095
Marlboro Psychiatric Hospital	51,900	52,805
DOH Lease Revenue Bonds	26,910	-
Total Lease Receivable	$ 163,290	$ 149,900

G. STATE CONTRACT BONDS RECEIVABLE

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

The remaining outstanding debt related to the Transformation Act bonds issued on behalf of St. Mary's Hospital and St. Michael's Medical Center in 2007 and 2008, respectively, has been refunded by State Contract Refunding Bonds in 2017, the principal and interest on which will be paid by the State Treasurer, subject to appropriation by the State Legislature, in accordance with a new State Contract issued pursuant to the Transformation Act. See note J for more detail. Transformation Act bonds issued on behalf of Community Medical Center (d/b/a Solaris Health System) in 2009 have been redeemed in full through a 2018 refunding by Hackensack Meridian Health, on its own credit, which acquired JFK Health System (f/k/a Solaris Health System) on January 1, 2018. Therefore, the bonds are no longer subject to a State Contract pursuant to the Transformation Act.

At December 31, 2025 and 2024, State contract bonds receivable were as follows:

	2025 ($000)	2024 ($000)
State Contract Refunding Bonds (HATP)	$ 126,080	$ 134,460
Total State contract bonds receivable	$ 126,080	$ 134,460

H. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The components of cash and cash equivalents and investments at December 31, 2025 and 2024, are as follows:

	2025 ($000)	2024 ($000)
Cash and cash equivalents		
Money Market Funds (which includes New Jersey Cash Management Fund)	$ 396,529	$ 473,816
Investments		
U.S. Treasury and Agency obligations	842	1,477
Total cash and cash equivalents and investments	$ 397,371	$ 475,293

H. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

Investments of trustee held funds are generally made in accordance with the Authority's General Bond Resolution, subject to modifications in the applicable Series Resolutions or in accordance with individual Bond Trust Agreements. The General Bond Resolution, which is amended from time to time, permits the investment of funds held by the trustee in the following: (a) obligations of or guaranteed by the State of New Jersey; the U.S. Government or agencies of the U.S. Government; (b) obligations of or guaranteed by any state of the U.S. or the District of Columbia rated in the highest two credit rating categories; (c) repurchase agreements secured by obligations noted in (a) or (b) above; (d) interest-bearing deposits in any bank or trust company, insured or secured by a pledge of obligations noted in (a) or (b) above; (e) NJCMF; and (f) shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940 which invests in obligations of or guaranteed by the U. S. Government or government agencies with maturities of less than one year and has a net position of not less than $10,000,000. In addition, bond resolutions for the Capital Asset Program and certain bond issues permit investments in investment agreements. These investments are made at the direction of the Authority and are held by the respective trustee in the name of the Authority and the respective health care organization. Interest income earned on such investments is credited periodically to the participant's trust account.

I. REVENUE BONDS, NOTES AND MASTER LEASES

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

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

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

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2025	Amount Outstanding December 31, 2024
Revenue bonds			($000)	($000)
Public issues				
Christian Health Care Center, Series 1997 B	2028	Weekly variable rate	$ 1,800	$ 2,400
Virtua Health, Series 2004	2033	Weekly variable rate	34,550	36,825
Christian Health Care Center, Series 2005 A-2	2035	Weekly variable rate	3,440	3,690
AHS Hospital Corp., Series 2008 A	2027	5.00	935	1,515
AHS Hospital Corp., Series 2008 B	2036	Weekly variable rate	88,555	88,555
AHS Hospital Corp., Series 2008 C	2036	Weekly variable rate	88,555	88,555
Christian Health Care Center, Series 2009	2038	Weekly variable rate	4,610	4,885
Virtua Health, Series 2009 B	2043	Daily variable rate	60,000	60,000
Virtua Health, Series 2009 C	2043	Daily variable rate	40,000	40,000
Virtua Health, Series 2009 D	2043	Weekly variable rate	65,000	65,000
Virtua Health, Series 2009 E	2043	Weekly variable rate	20,000	20,000
Virtua Health, Series 2013	2029	3.00 - 5.00	54,660	66,820
Hunterdon Medical Center, Series 2014A	2045	4.00 - 5.00	14,305	14,305
University Hospital, Series 2015A	2046	4.125-5.00	226,310	232,615
Princeton Healthcare System, Series 2016A	2034	2.00 - 5.00	137,875	144,590
Inspira Health Obligated Group, Series 2016A	2036	2.00 - 5.00	124,270	129,500
St. Joseph's Healthcare System, Series 2016	2036	3.00 - 5.00	207,495	212,505
AHS Hospital Corp, Series 2016	2036	3.00 - 5.00	134,055	146,925
RWJ Barnabas Health Obligated Group, Series 2016A	2036	3.50 - 5.00	655,695	659,410
Hackensack Meridian Health, Series 2017	2057	2.50 - 5.00	488,890	507,190
Inspira Health Obligated Group, Series 2017A	2037	2.00 - 5.00	255,640	257,135
State Contract Refunding Bonds (HATP), Series 2017	2038	5.00	126,080	134,460
RWJ Barnabas Health Obligated Group, Series 2019A	2029	5.00	7,445	9,420
RWJ Barnabas Health Obligated Group, Series 2019B-2	2042	5.00	70,555	70,555
RWJ Barnabas Health Obligated Group, Series 2019B-3	2045	5.00	70,550	70,550

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

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2025 ($000)	Amount Outstanding December 31, 2024 ($000)
Revenue bonds				
Public issues (continued)				
Valley Health System Obligated Group, Series 2019	2039	3.00 - 5.00	$ 279,240	$ 291,345
Hunterdon Medical Center Obligated Group, Series 2020A	2050	2.56 - 3.511	42,715	43,170
Atlanticare Health System Obligated Group, Series 2021	2051	2.00 - 5.00	204,570	208,915
RWJ Barnabas Obligated Group, Series 2021A	2051	2.625 - 5.00	640,485	677,655
Greystone Park Psychiatric Hospital Project, Series 2024	2034	5.00	84,480	97,095
Marlboro Psychiatric Hospital Project, Series 2024	2034	5.00	51,900	52,805
RWJ Barnabas Health Obl. Grp Issue, Series 2024A	2054	4.995	367,710	370,330
RWJ Barnabas Health Obl Grp Issue, Series 2024B	2036	5.00	250,690	250,690
Paragon Senior Living LLC Issue,Series 2024A	2033	6.25	10,920	11,050
Paragon Senior Living LLC Issue,Series 2024B (taxable)	2031	7.10	13,020	13,150
Inspira Health Obl. Grp., Series 2024A	2054	4.856	247,330	251,570
DOH Lease Revenue Bonds, Series 2025	2033	4.856	26,910	-
Total public issues			5,201,240	5,335,180
Private placements				
St. Ann's Home for the Aged, Series 2010	2040	Indexed rate	8,085	8,444
Wiley Mission, Series 2012 Lot A	2029	Monthly variable rate	2,863	3,599
Hunterdon Medical Center, Series 2014B	2029	2.44	6,983	8,625
Hunterdon Medical Center, Series 2014D	2034	indexed rate	-	2,889
Hackensack University Med. Ctr., Ob. Grp., Series 2015A	2040	2.38	55,152	58,257
Samaritan Healthcare and Hospice, Series 2015	2040	2.6500	5,479	5,774
Meridian Health System Obligated Group, Series 2015A	2045	2.5000	86,306	90,639
Princeton Healthcare System, Series 2016B	2045	Indexed rate	65,000	65,000
Princeton Healthcare System, Series 2016C	2045	Indexed rate	20,000	20,000
Meridian Health System, Series 2016A	2038	Monthly variable rate	102,868	105,379
Village Drive Health Care Urban Renewal Issue, Series 2018	2038	5.75	22,355	22,530
Virtua Health, Series 2019	2038	3.20	199,805	199,805
Holy Name Medical Center Obligated Group, Series 2020	2025	2.25	-	3,460
Hunterdon Medical Center Obligated Group, Series 2020B	2045	1.41	32,351	32,756
Holy Name Medical Center Obligated Group, Series 2021	2030	1.78	33,412	36,727
St. Joseph's Healthcare System Obligated Group, Series 2022	2052	4.00 - 5.00	35,390	36,260
St. Luke's Warren Hospital Obl. Group, Series 2022A	2044	2.56	39,410	39,410
Saint Peter's University Hospital Obligated Group, Series 2022A	2037	5.00	84,925	91,685
Atlanticare Health System Obligated Group, Series 2023	2052	Monthly variable rate	60,600	61,705
Holy Name Medical Center Obligated Group, Series 2024A	2053	4.56	55,000	55,000
Total private placements			915,984	947,944
Capital asset program				
Total Capital Asset Program, Series A & B	2035		50,000	50,000
Total bonds payable			$ 6,167,224	$ 6,333,124

(*Denotes defeased or paid off)

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

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

Year	Principal ($000)	Interest ($000)	Total ($000)
2026	$ 167,736	$ 261,662	$ 429,398
2027	176,659	250,988	427,647
2028	227,789	242,858	470,647
2029	304,829	234,835	539,664
2030	229,095	220,501	449,596
2031-2035	1,447,774	936,497	2,384,271
2036-2040	1,483,498	626,004	2,109,502
2041-2045	1,007,519	345,307	1,352,826
2046-2050	671,095	177,954	849,049
2051-2055	432,345	56,879	489,224
2056-2060	18,885	2,461	21,346
	$ 6,167,224	$ 3,355,946	$ 9,523,170

Several Authority bond issues are subject to periodic interest rate reset. Interest expense in future years, as reflected on the above schedule for variable rate bonds, is estimated based on rates in effect at or close to December 31, 2025.

J. COMPLIANCE WITH BOND PROVISIONS

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

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

The Authority routinely monitors the financial condition of all borrowers to determine compliance with the requirements pursuant to related bond documents. On October 3, 2023 US Bank Corporate Trust Services (the “Trustee”) gave notice, via a public MSRB EMMA posting, to Holders of Village Drive Health Care Urban Renewal series 2018 Bonds, and Borrower that Events of Default have occurred and continue to exist under the Bond Indenture, Loan Agreement, and Mortgage including, without limitation, the Borrower’s failure to pay or cause to

J. COMPLIANCE WITH BOND PROVISIONS (CONTINUED)

be paid the required payments to the Trustee pursuant to Section 5.3 of the Loan Agreement, resulting in Events of Default under Sections 7.1(a) of the Loan Agreement, 4.1 of the Mortgage, and 7.1 of the Bond Indenture. Each and every failure constitutes an Event of Default. Under the Bond Indenture, the Trustee holds funds in a Debt Service Reserve Fund to be used should monies deposited with the Trustee for debt service be insufficient to pay principal and interest when due. In the same October 3, 2023 posting, notice was also given that the Trustee had been directed by the Holders owning a majority in the aggregate of the Series 2018 Bonds outstanding (the "Majority Bondholders") to refrain from drawing on the funds held in the Debt Service Reserve Fund to make the scheduled debt service payment for October 1, 2023 and from taking any other action. The principal and interest due to bondholders on October 1, 2023 has not been paid as of this writing.

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

State Fiscal Year	Principal and Interest Payments
Remainder of 2026 (interest only)	$ 3,152,000
2027	14,898,625
2028	13,005,125
2029	13,009,375
2030	13,004,375
2031	13,004,250
2032	13,007,750
2033	13,008,750
2034	13,001,375
2035	13,009,250
2036	13,006,000
2037	13,005,500
2038	13,006,250
2039	12,797,125
2040	-
Total	$ 173,915,750

K. DEFEASED ISSUES

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

Certain refundings result in annual debt service savings compared to the original debt service requirements. The debt service savings, together with any accounting gain or loss to be deferred, accrue to the respective organizations. A summary of outstanding balances as of December 31, 2025 and 2024, by issue, is as follows:

	Due in Varying Installments Ending	Range of Annual Interest Rate Percentages	Amount Outstanding December 31, 2025	Amount Outstanding December 31, 2024
Defeased public issues			($000)	($000)
St. Clare's Hospital, Inc. Series 2004 A	2025	4.25 - 5.25%	$ -	$ 7,265
Kennedy Health System, Series 2012	2022	2.00 - 5.00	6,045	8,905
Trinitas Regional Medical Center Obligated Group, Series 2016A	2030	4.00 - 5.00	6,115	7,170
Trinitas Regional Medical Center Obligated Group, Series 2017A	2030	5.00	35,190	41,260
CentraState Medical Center Obligated Group, Series 2017A	2037	3.26	28,970	29,635
Total defeased issues			$ 76,320	$ 94,235

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standard*s

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business–type activities and fiduciary funds of the New Jersey Health Care Facilities Financing Authority ("the Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 4, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
August 4, 2026