MISSION

NJRA provides a unique approach to revitalization efforts in New Jersey’s cities.

We develop programs and services to improve the quality of life by creating value in urban communities.
MESSAGE FROM THE CHAIRMAN

Dear Colleague:

As the new Chairman of the New Jersey Redevelopment Authority (NJRA), I understand and commend NJRA’s commitment to urban New Jersey. As a long-time resident of Orange, New Jersey, I have first-hand knowledge of the many challenges that cities face with revitalization efforts in the wake of a weak economy.

NJRA, as part of the DCA family, remains steadfast to its mission by investing in redevelopment projects that improve the quality of life and create value for urban communities. The resources provided by NJRA not only stimulate economic development but create sustainable jobs, beautify neighborhoods and allow residents to feel safe.

It is my goal to ensure that the financial and technical resources provided by NJRA will continue to be invested throughout the State. I look forward to working with the Authority members and staff to maintain the momentum and commitment that allows NJRA to be a key player in New Jersey’s urban redevelopment efforts.

Sincerely,

Richard E. Constable, III
DCA Acting Commissioner
Chairman

MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear Colleague:

In 2011, the New Jersey Redevelopment Authority maintained its commitment to effectively and creatively invest in New Jersey’s urban communities. Despite the weak economy, we have continued to lead the way for urban revitalization efforts through the leveraging of resources and hands-on technical assistance.

The NJRA has formed countless relationships which have allowed us to partner with all levels of government, for-profit and nonprofit developers, as well as, private lending institutions to improve the climate for investment.

The NJRA continues to seek creative ways to support projects that improve the quality of life and create value in urban communities. I look forward to the innovations in redevelopment that 2012 has to offer.

Sincerely,

Leslie A. Anderson
Executive Director
TECHNICAL ASSISTANCE

NJRA provides technical assistance and coordinates the efforts of local communities to obtain resources offered by state departments and other partners to leverage financing for project development. Additionally, NJRA extends its extensive network of financial institutions, corporations, developers, utilities and foundations to stakeholders in the redevelopment process to form meaningful partnerships that support neighborhood revitalization.

NJRA REDEVELOPMENT TRAINING INSTITUTE

In addition to financial resources, NJRA provides comprehensive technical assistance to 69 eligible urban communities throughout the state. Through its efforts it became evident that more knowledge about the redevelopment process was needed. As a result, NJRA expanded its technical assistance arm to the entire state through the NJRA Redevelopment Training Institute (NJRA RTI).

TESTIMONIALS

“I would highly recommend this course to anyone looking to learn more about NJ's redevelopment process and relevant rules and regulations. NJRA RTI is taught by captivating and experienced professionals in their field who genuinely care about educating NJ’s revitalization leaders!”

“I would recommend this course to anyone – municipalities, developers, non-profits – who wants an in-depth, A to Z course on redevelopment. The instructors have decades of combined experience, and I learned more in one week than I ever would have imagined.”

“The government is changing so much, these courses should be mandatory.”

“The NJRA Redevelopment Training Institute has seasoned my professional career and provided me with the necessary working knowledge for developing projects. I was able to immediately incorporate these skills into my work performance. Today, I refer back to the handouts, ‘My Development Bible,’ as a refresher.”

“Successful redevelopment requires a team of specialists knowledgeable of each part of the process. The NJRA Redevelopment Training Institute meets this task head on.”

“I needed to understand the financial tools available for developers. This course provided a solid overview of these tools. I am now better served in understanding how to put together a redevelopment project.”

NJRA RTI provides intensive training courses targeted to the redevelopment of New Jersey’s communities. Nonprofit and for-profit developers, professional consultants, entrepreneurs and local and county government take advantage of these multi-day courses throughout the year that offer knowledge on the redevelopment planning law in New Jersey, real estate project feasibility and project finance. Relevant redevelopment topics are also offered through sought out workshops and one-day seminars. Through NJRA RTI, NJRA reaches beyond its project-specific technical and financial assistance.

“By attending the NJRA Redevelopment Training Institute, you will learn important redevelopment information from industry leaders with real hands-on experience. Participants in these intensive courses will walk away with the knowledge to undertake projects that will positively impact New Jersey’s communities.”

“I have rarely attended any conference or training that provided the type of practical, useful information that could be immediately applied to real situations that was provided by your training. The format, presenters, timing and information provided all were part of a very useful, productive expenditure of time. I plan on recommending the institute to other professionals who are considering redevelopment as a policy option. I think the Institute is just one more example of how NJRA is truly geared toward assisting municipalities to make projects happen through meaningful partnerships.”

“The instructors and leaders that you put together for these workshops were excellent. What was best about their presentations was their real-world experience. We are glad that NJRA has taken such a proactive role in educating the developers of today (and tomorrow) on the finer points of the process.”

“I want to let you know how impressed I am with the Real Estate Project Feasibility course. The presenters are excellent and the guest speakers have been extremely knowledgeable with the most relevant experience.”

“TeCHniCAl AssistAnCe
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The New Jersey Redevelopment Authority is a state financing authority committed to the redevelopment of urban New Jersey. NJRA customizes project financing for redevelopment projects that improve the quality of life in New Jersey's cities. A host of financial and technical resources are offered by NJRA to support urban redevelopment initiatives through the state.

**NJRA REDEVELOPMENT INVESTMENT FUND (RIF)**

RIF provides flexible debt and equity financing for business and real estate ventures. Through the RIF Program, NJRA offers direct loans, real estate equity, loan guarantees and other forms of credit enhancements.

**NJ URBAN SITE ACQUISITION PROGRAM (NJUSA)**

NJUSA is a revolving loan fund that facilitates the acquisition, site preparation and redevelopment of properties, which are components of an urban redevelopment plan. NJUSA also provides for-profit and nonprofit developers and municipalities with a form of bridge financing to acquire title to property and for other acquisition-related costs.

**NJ PREDEVELOPMENT FUND (NJPDF)**

NJPDF provides funding to cover various predevelopment activities, including feasibility studies, architectural costs, environmental and engineering studies, legal and other related soft costs associated with redevelopment. This program offers the flexibility to structure financing at the early stages of development.

**NJRA BOND PROGRAM**

NJRA issues both taxable and tax-exempt bonds to stimulate revitalization in New Jersey’s urban areas. Bonds are issued at attractive interest rates to a broad range of qualified businesses and nonprofit organizations.

**WORKING IN NEWARK’S NEIGHBORHOODS (WINN)**

Working in Newark’s Neighborhoods, a subsidiary of NJRA, is a revolving loan program focused on redevelopment efforts in the city of Newark’s neighborhoods. Funds from WINN can be used for commercial and mixed-use projects directly related to comprehensive development initiatives including predevelopment, site preparation, acquisition, demolition, permanent financing, loan guarantees and construction financing.

**THE RESOURCES**

**Municipalities**
**Government Agencies**
**For-Profit & Nonprofit Groups**
**Community-Based Organizations**
**Businesses**
**Private Lenders**
**Developers**

**THE RESOURCES**

**BERGEN COUNTY**
Edgewater
Garfield
Hackensack
Lodi
Ridgefield

**PASSEIC COUNTY**
Clifton
Passaic
Paterson

**WARREN COUNTY**
Phillipsburg

**ESSEX COUNTY**
Belleville
Bloomfield
East Orange
Irvine
Montclair
Newark
Orange

**UNION COUNTY**
Elizabeth
Hillside
Plainfield
Rahway
Roselle

**HUDSON COUNTY**
Bayonne
Guttenberg
Harrison
Hoboken
Jersey City
Kearny
North Bergen
Union
Weehawken
West New York

**MIDDLESEX COUNTY**
Carteret
New Brunswick
Old Bridge
Perth Amboy
South Amboy
Woodbridge

**MONMOUTH COUNTY**
Asbury Park
Highlands
Keansburg
Long Branch
Neptune City
Neptune Township

**MERCER COUNTY**
Ewing
Hamilton
Trenton

**BURLINGTON COUNTY**
Burlington
Mount Holly
Pemberton
Willingboro

**OCEAN COUNTY**
Brick
Lakewood
Manchester

**GLOUCESTER COUNTY**
Glassboro
Monroe (GLOUC.)
Woodbury

**SALEM COUNTY**
Penns Grove
Salem

**CUMBERLAND COUNTY**
Bridgegon
Millville
Vineland

**CAMDEN COUNTY**
Camden
Gloucester City
Gloucester Township
Lawnside
Lindenwold
Pennsauken
Winslow

**ATLANTIC COUNTY**
Pleasantville

**MONMOUTH COUNTY**
Asbury Park
Highlands
Keansburg
Long Branch
Neptune City
Neptune Township

**MIDDLESEX COUNTY**
Carteret
New Brunswick
Old Bridge
Perth Amboy
South Amboy
Woodbridge

**MERCER COUNTY**
Ewing
Hamilton
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Woodbury

**SALEM COUNTY**
Penns Grove
Salem

**CUMBERLAND COUNTY**
Bridgegon
Millville
Vineland
BOARD OF DIRECTORS & STAFF

EX-OFFICIO MEMBERS

Chairman Richard E. Constable III
Commissioner
Department of Community Affairs

David C. Hespe
Commissioner
Department of Education

John J. Hoffman
Attorney General
Office of the Attorney General

Bob Martin
Commissioner
Department of Environmental Protection

Mary E. O'Dowd, M.P.H.
Commissioner
Department of Health and Senior Services

Andrew P. Sidamon-Eristoff
Treasurer
Department of Treasury

James S. Simpson
Commissioner
Department of Transportation

Jennifer Veliz, Esq.
Commissioner
Department of Human Services

Harold J. Winths
Commissioner
Department of Labor and Workforce Development

PUBLIC MEMBERS

Cosmo J. Iacavazzi
Department of Human Services

R. Andrew Marshall
Roseland Property Company

Raymond J. McDonough
Mayor
Town of Harrison

Harold Nafash
President
Nafco Associates

B. Harold Smick, Jr.
Chairman
I.S. Smick Lumber

William Sumas
Executive Vice President
Village Supermarkets
Chairman, NJ Food Council

Barry E. Vankat
Senior Relationship Manager
Government Banking
Wells Fargo

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McEnerney, Brady & Co., LLC
Certified Public Accountants

New Jersey Redevelopment Authority

Combining Financial Statements
December 31, 2012
(with Summarized Financial Information for 2011)

With Independent Auditors' Report
and
Report on Internal Control and Compliance
| Independent Auditors' Report                                      | 1 |
| Management's Discussion and Analysis-2012                       | 2-4 |
| Combining Financial Statements:                                  |   |
| Combining Statement of Net Position – December 31, 2012         | 5  |
| (with Summarized Financial Information for 2011)                 |   |
| Combining Statements of Revenues, Expenses and Changes in Net Position – Year Ended December 31, 2012 | 6  |
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**Independent Auditors' Report**

To the Board of Directors
New Jersey Redevelopment Authority
Trenton, New Jersey

**Report on the Financial Statements**

We have audited the accompanying combining statement of net position of the New Jersey Redevelopment Authority (the "Authority") a component unit of the State of New Jersey, and its component unit for the year ended December 31, 2012, and the related combining statements of revenue, expenses and changes in net position and cash flows for the year then ended, which collectively comprise the Authority’s basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

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

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

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

We were unable to obtain sufficient and appropriate audit evidence to support management's estimate as to collectability of notes receivable as of December 31, 2012. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would change the assets, net position and the provision for program losses. The amount by which this departure would affect the assets, net position, and expenditures has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion', the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Redevelopment Authority as of December 31, 2012, and changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2013 on our consideration of the New Jersey Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the New Jersey Redevelopment Authority's internal control over financial reporting and compliance.

Livingston, New Jersey
October 25, 2013

NEW JERSEY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - 2012

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year that ended on December 31, 2012. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

Financial Highlights

- The Authority's total position decreased by $6.9 million or (12%).
- Total liabilities decreased by $52,000 or (17%).
- Total operating revenues decreased by $657,000 or (34.6%).
- Non-operating revenues, net of non-operating expenditures, decreased by $26,000 or (41.2%).

Overview of the Financial Statements

This annual report consists of two parts: management's discussion and analysis and the basic financial statements. The financial statements also include notes that explain information in the financial statements in more detail. The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business, such as real estate development, investment banking, commercial lending, and private consulting. While detailed sub-fund information is not presented, separate accounts are maintained for each program to control and manage money for particular purposes or to demonstrate that the Authority is properly using specific appropriations and grants.

Financial Analysis of the Authority

Loan and Conduit Bond Financing Activities for 2012

During 2012, the Authority approved five loans. However, due to the continued economic crisis and the tightened credit policies of the banking industry, the Authority was able to close three of its loan approvals. In response to the inability to close loans, the Authority created a Loan Review Committee that is representative of the Authority's Board Members to restructure troubled loans and to focus its attention on loan workout and loan repayment. As a result, the Authority was successful in restructuring three loans and obtaining loan settlement agreements on two other loans.
## NEW JERSEY REDEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS - 2012

### Net Position:
The following table summarizes the changes in net assets between December 31, 2012 and 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012 Total</th>
<th>2011 Total</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$28,797,465</td>
<td>$30,244,190</td>
<td>($1,446,725)</td>
<td>(4.8)%</td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td>$16,851,095</td>
<td>$21,713,743</td>
<td>($4,862,648)</td>
<td>(22.4)%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$45,648,560</td>
<td>$51,957,933</td>
<td>($6,309,373)</td>
<td>(12.3)%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$44,107</td>
<td>$53,700</td>
<td>($9,593)</td>
<td>(17.9)%</td>
</tr>
<tr>
<td>Restricted Net Assets</td>
<td>$10,600,372</td>
<td>$11,149,360</td>
<td>($548,988)</td>
<td>(4.9)%</td>
</tr>
<tr>
<td>Unrestricted Net Assets</td>
<td>$33,215,288</td>
<td>$40,808,573</td>
<td>($7,593,285)</td>
<td>(18.6)%</td>
</tr>
<tr>
<td>Investment in Capital Assets</td>
<td>$59,976</td>
<td>$53,942</td>
<td>$6,034</td>
<td>11.6%</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$46,054,543</td>
<td>$51,313,916</td>
<td>($5,259,373)</td>
<td>(10.3)%</td>
</tr>
</tbody>
</table>

- Total Assets decreased to $51.9 million in 2012 compared to $58.9 million in the previous year. The change in current and non-current assets can be attributed to reclassification of certain notes and a current year charge of $6.2 million for allowances against notes and accrued interest on notes.
- Total liabilities decreased $92,000 or 17.1% between from 2011 to 2012, due to the decrease in the sub-receivables accounts payable. The sub-receivable account, NJ Women’s Micro-Business Credit Program, decreased $121,000 due to disbursements for training and administrative, offset slightly by repayments of loans in the program.
- The Authority’s Net Position decreased to $51.5 million at December 2012 from $58.3 million at December 2011, which was due to current year operations generating a loss of approximately $6.8 million. The loss in 2012 was due to a time charge of $6.2 million for reserves recorded on accrued interest on existing loans that management has estimated to be potentially uncollectible. The reserve is based on the accrued interest that has accumulated on loans that had reserves or allowances recorded against them.

The following table summarizes the Changes in Net Position from 2011 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2012 Total</th>
<th>2011 Total</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Revenues</td>
<td>$1,527,393</td>
<td>$1,617,370</td>
<td>($89,977)</td>
<td>(5.5)%</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$7,426,400</td>
<td>$8,479,952</td>
<td>($1,054,552)</td>
<td>(12.5)%</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>($5,899,007)</td>
<td>($6,862,582)</td>
<td>$964,575</td>
<td>14.1%</td>
</tr>
<tr>
<td>Total Non-Operating Revenues</td>
<td>$27,144</td>
<td>$36,950</td>
<td>($9,806)</td>
<td>(26.8)%</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>($6,870,007)</td>
<td>($6,925,582)</td>
<td>($545,587)</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

### Operating Activities:
The Authority charges financing fees that may include an application fee, commitment and/or acceptance fee, closing fee, extension fee, and document execution fee. Interest income accrues to the benefit of the program for which the underlying source of funds is utilized.

For the year ended December 31, 2012, the Authority recognized revenues of $1.62 million, a decrease of 34.6% over the previous year. The decrease is primarily attributable to decreased interest received and a reduction in fee income. After non-operating income of $0.04 million from investment income, the Authority reported a decrease in net position of $6.8 million compared to a loss in net position of $3.4 million the previous year.

### Non-Operating Activities:
The Authority receives interest income on funds invested. These funds are highly liquid debt instruments with a maturity of three months or less and are considered to be cash equivalents. Given the nature of the Authority as an enterprise fund, the interest income derived from these assets is considered outside of the Authority’s primary operating activities. Also included in non-operating activities are the unrealized losses in the investment in a Limited Liability Company and Financial Assistance Awards expense.

### Other Financial Information:
As typical for a financial institution, the relationship between allowances for uncollectable accounts and the offsetting loss provision is an integral component of the relationship of the balance sheet to the Statement of Revenues, Expenses, and Changes in Position. Although not mandated to do so, allowances for doubtful notes and guarantee payments are determined in accordance with guidelines established by the Office of the Comptroller of the Currency. The Authority accounts for its potential loss exposure through the use of risk ratings. Each risk rating is assigned a specific loss factor in accordance with the severity of the classification. All loans and guarantees are assigned a specific risk rating. The assigned risk ratings are continuously updated to account for changes in the financial condition of the borrower or guarantor, payment history, loan covenant, violations and changing economic conditions.

At December 31, 2012 and 2011, the Authority's allowance and guarantees for notes receivables were $82,340 and $96,151 for the Redevelopment Investment Fund (“RIF”) and $10,036,252 and $5,741,309, respectively, for the Urban Site Acquisition Fund, respectively. The stated allowance for Notes Receivable for the RIF is largely comprised of loans existing prior to the creation of the Authority. The WinN allowance was $697,429 for 2012 and $21,307 for 2011. This is based on management's expectation that a certain portion of loans that may be subject to collection risk, have determined that previously accrual interest would be at risk.

### Contacting the Authority’s Financial Management:
This financial report is designed to provide New Jersey citizens and taxpayers, and our customers, clients, investors and creditors, with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability for the appropriations and grants that it receives. If you have questions about the report or need additional information, contact the New Jersey Redevelopment Authority’s Executive Director, at 150 West Street, 22nd Floor West, PO Box 790, Trenton, NJ 08625-790 or visit our web site at www.njra.us.
### Assets

<table>
<thead>
<tr>
<th></th>
<th>NJRA</th>
<th>WINN</th>
<th>Total 2012</th>
<th>Total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,029,889</td>
<td>$774,215</td>
<td>$1,804,104</td>
<td>$1,868,350</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>15,882</td>
<td>15,692</td>
<td>15,892</td>
<td>15,915</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>8,732,958</td>
<td>657,061</td>
<td>9,389,019</td>
<td>21,778,025</td>
</tr>
<tr>
<td>Accrued Interest Receivable on Notes</td>
<td>5,635,472</td>
<td>15,449</td>
<td>5,650,921</td>
<td>7,923,483</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>15,413,901</td>
<td>1,446,725</td>
<td>16,860,626</td>
<td>31,587,873</td>
</tr>
<tr>
<td><strong>Noncurrent Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted Cash</td>
<td>15,525,782</td>
<td>5,320,804</td>
<td>20,852,586</td>
<td>20,069,209</td>
</tr>
<tr>
<td>Long-Term Portion of Notes Receivable</td>
<td>13,448,901</td>
<td>735,844</td>
<td>14,184,745</td>
<td>7,164,424</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>59,976</td>
<td>59,976</td>
<td>59,976</td>
<td>53,942</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$44,448,560</td>
<td>$7,509,373</td>
<td>$51,957,933</td>
<td>$58,875,248</td>
</tr>
</tbody>
</table>

### Liabilities and Net Position

<table>
<thead>
<tr>
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<th>NJRA</th>
<th>WINN</th>
<th>Total 2012</th>
<th>Total 2011</th>
</tr>
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<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>$116,865</td>
<td>$116,865</td>
<td>$116,865</td>
<td>$87,320</td>
</tr>
<tr>
<td>Due to Sub-recipients</td>
<td>327,152</td>
<td>327,152</td>
<td>327,152</td>
<td>448,374</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>444,017</td>
<td>444,017</td>
<td>535,700</td>
<td></td>
</tr>
<tr>
<td><strong>Net Position:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Capital Assets</td>
<td>59,976</td>
<td>59,976</td>
<td>59,976</td>
<td>53,942</td>
</tr>
<tr>
<td>Assigned Fund Balance</td>
<td>10,806,372</td>
<td>912,968</td>
<td>11,719,330</td>
<td>18,795,004</td>
</tr>
<tr>
<td>Unassigned Fund Balance</td>
<td>33,135,196</td>
<td>6,898,385</td>
<td>40,033,581</td>
<td>39,693,902</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>44,004,543</td>
<td>7,509,373</td>
<td>51,513,916</td>
<td>58,339,548</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Position</strong></td>
<td>$44,448,560</td>
<td>$7,509,373</td>
<td>$51,567,033</td>
<td>$58,875,248</td>
</tr>
</tbody>
</table>

### Operating Revenues:

- Interest Income on Notes Receivable: $1,198,043, $89,405, $1,287,448, $1,997,437
- Fee Income: 325,386, 325,386, 433,322
- Other: 3,905, 572, 4,537, 43,695

**Total Operating Revenues:** 1,527,393, 89,977, 1,617,370, 2,474,454

### Operating Expenses:

- Salaries & Benefits: 1,174,390, 1,174,390, 1,272,899
- Management Fee: 279,888, 279,888, 298,468
- General & Administrative: 233,647, 233,647, 283,753
- Rent: 250,403, 250,403, 247,789
- Depreciation: 20,120, 20,120, 19,529
- Provision for Bad Debts-Interest: 318,178, 318,178, 824,000
- Provision for Program Losses: (62,222)
- **Total Operating Expenses:** 5,408,662, 774,854, 6,183,516

**Operating Gain (Loss):** (5,808,007), (964,575), (6,862,582), (407,762)

### Nonoperating Revenues:

- Interest Income - Investments: 27,144, 9,806, 36,950, 62,849
- Gain on Disposal of Assets: 

**Increase (Decrease) in Net Position:** (5,870,863), (954,769), (6,825,632), (344,913)

### Net Position - Beginning of Year: 49,875,406, 8,454,142, 58,339,548, 58,684,461

### Net Position - End of Year: $44,004,543, $7,509,373, $51,513,916, $58,339,548

---

The accompanying notes are an integral part of the combining financial statements.
## NEW JERSEY REDEVELOPMENT AUTHORITY
### COMBINING STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2012
(with Summarized Financial Information for 2011)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Disbursed to Borrowers</td>
<td>$2,171,667</td>
<td>$2,171,667</td>
<td>$4,343,334</td>
<td>($96,523)</td>
</tr>
<tr>
<td>Cash Received from Borrowers</td>
<td>4,587,370</td>
<td>110,038</td>
<td>4,697,408</td>
<td>1,439,599</td>
</tr>
<tr>
<td>Cash Disbursed for Goods &amp; Services</td>
<td>(534,170)</td>
<td>(534,170)</td>
<td>(558,340)</td>
<td>(545,012)</td>
</tr>
<tr>
<td>Cash Disbursed for Personnel Costs</td>
<td>(1,167,481)</td>
<td>(1,157,481)</td>
<td>(2,325,962)</td>
<td>(1,272,899)</td>
</tr>
<tr>
<td>Cash Received for Management Fees</td>
<td>279,898</td>
<td>279,898</td>
<td>559,786</td>
<td>296,466</td>
</tr>
<tr>
<td>Cash Disbursed for Management Fees</td>
<td>(279,898)</td>
<td>(279,898)</td>
<td>(299,686)</td>
<td>(296,466)</td>
</tr>
<tr>
<td>Net Cash Used in Non-Capital Financing Activities</td>
<td>963,950</td>
<td>(169,860)</td>
<td>824,090</td>
<td>(474,435)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Disbursed to Sub-recipients</td>
<td>(167,532)</td>
<td>(167,532)</td>
<td>(19,076)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from Appropriations from the State</td>
<td>46,309</td>
<td>46,309</td>
<td>92,618</td>
<td>59,585</td>
</tr>
<tr>
<td>Net Cash Provided by Non-Capital Financing Activities</td>
<td>(121,223)</td>
<td>(121,223)</td>
<td>60,507</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Capital Assets</td>
<td>(20,686)</td>
<td>(20,686)</td>
<td>(21,448)</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>9,806</td>
<td>9,806</td>
<td>19,612</td>
<td>62,840</td>
</tr>
<tr>
<td>Net Cash Provided by Investing Activities</td>
<td>6,480</td>
<td>6,480</td>
<td>12,930</td>
<td>35,956</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Decrease in Cash and Cash Equivalents</th>
<th>NJRA 2012</th>
<th>WINN 2012</th>
<th>Total 2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>879,185</td>
<td>160,064</td>
<td>1,039,249</td>
<td>7,191,131</td>
<td>(372,527)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents, Beginning of Year</th>
<th>NJRA 2012</th>
<th>WINN 2012</th>
<th>Total 2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,676,486</td>
<td>261,073</td>
<td>15,937,559</td>
<td>21,937,559</td>
<td></td>
</tr>
</tbody>
</table>

### Cash and Cash Equivalents, End of Year

<table>
<thead>
<tr>
<th>NJRA 2012</th>
<th>WINN 2012</th>
<th>Total 2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>$16,558,671</td>
<td>$6,101,019</td>
<td>$22,659,690</td>
<td>$21,937,559</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents Classified as:</th>
<th>NJRA 2012</th>
<th>WINN 2012</th>
<th>Total 2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>1,029,889</td>
<td>774,215</td>
<td>1,804,104</td>
<td>1,868,350</td>
</tr>
<tr>
<td>Restricted Assets</td>
<td>15,525,792</td>
<td>5,320,804</td>
<td>20,846,596</td>
<td>20,069,209</td>
</tr>
<tr>
<td><strong>Total Cash and Cash Equivalents</strong></td>
<td><strong>16,558,671</strong></td>
<td><strong>6,101,019</strong></td>
<td><strong>22,659,690</strong></td>
<td><strong>21,937,559</strong></td>
</tr>
</tbody>
</table>

Reconciliation of Operating Gain (Loss) to Net Cash Used in Operating Activities:

<table>
<thead>
<tr>
<th>Operating Gain (Loss)</th>
<th>NJRA 2012</th>
<th>WINN 2012</th>
<th>Total 2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5,808,007)</td>
<td>(964,575)</td>
<td>(6,772,582)</td>
<td>(6,802,582)</td>
<td>(407,762)</td>
</tr>
</tbody>
</table>

Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities:

<table>
<thead>
<tr>
<th>Adjustment to Operating Gain (Loss)</th>
<th>NJRA 2012</th>
<th>WINN 2012</th>
<th>Total 2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>(20,120)</td>
<td>(20,120)</td>
<td>(40,240)</td>
<td>(19,525)</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>176,681</td>
<td>176,681</td>
<td>353,362</td>
<td>824,000</td>
</tr>
<tr>
<td>Purchase of Capital Assets</td>
<td>(20,686)</td>
<td>(20,686)</td>
<td>(41,372)</td>
<td>(21,448)</td>
</tr>
<tr>
<td>Changes in Assets and Liabilities</td>
<td>4,652,206</td>
<td>716,479</td>
<td>5,368,685</td>
<td>609,621</td>
</tr>
<tr>
<td>(Increase) Decrease in Notes Receivable, Net</td>
<td>1,233</td>
<td>1,233</td>
<td>(7,097)</td>
<td></td>
</tr>
<tr>
<td>(Increase) Decrease in Prepaid Expenses</td>
<td>1,233</td>
<td>1,233</td>
<td>7,097</td>
<td></td>
</tr>
<tr>
<td>(Increase) in Accrued Interest Receivable</td>
<td>2,194,325</td>
<td>78,236</td>
<td>2,272,562</td>
<td>(1,424,314)</td>
</tr>
<tr>
<td>Decrease in Liabilities</td>
<td>(91,553)</td>
<td>(91,553)</td>
<td>(183,106)</td>
<td>(22,788)</td>
</tr>
<tr>
<td>Total Adjustments</td>
<td>6,691,957</td>
<td>794,715</td>
<td>7,486,672</td>
<td>(66,673)</td>
</tr>
</tbody>
</table>

Net Cash Used in Operating Activities: $963,950 (189,960) | $824,000 | (474,435) |

Note 1 – Nature of the Authority

The New Jersey Redevelopment Authority (the "Authority") is a public body corporate and politic constituting an instrumentality of the State of New Jersey ("State"). The Authority was established by Chapter 62, P.L. 1996 ("Act") on July 13, 1996 to provide assistance in the redevelopment and revitalization of New Jersey cities. Under the Act, the Authority is to provide financial, managerial, and technical assistance to persons, firms, or corporations who wish to undertake industrial, commercial, or civic projects within qualified municipalities. Pursuant to the Act, the Authority was appropriated $5,000,000 from the State of New Jersey for the purpose of funding eligible projects and the commencement of operations. Pursuant to the Act, the Authority also assumed the assets, liabilities and retained earnings of the former New Jersey Urban Development Corporation (collectively, "Redevelopment Investment Fund"). The Authority became fully operational in April 1997.

In 1998, the Authority was appropriated additional $25,000,000 to develop and implement the Urban Site Acquisition Program's revolving loan fund. The fund finances acquisition-related expenses for projects designated to facilitate the redevelopment of underutilized parcels of real estate. On March 30, 1998, the Governor of the State of New Jersey filed an executive reorganization plan (the "Plan"), Executive Reorganization No. 002-1998, with the Legislature. The Plan was implemented to allow for more efficient use of resources targeted for urban development initiatives and provide for a more integrated and comprehensive approach to urban revitalization. The Plan transferred the Authority from an independent Authority, in the Department of Commerce to the Department of Community Affairs. The Plan became effective May 31, 1998.

The Authority is focused on advancing the quality of life in New Jersey's urban municipalities by expanding economic opportunities. The Authority is a component unit of the State of New Jersey as defined by Governmental Accounting Standards Board Nos. 14 and 36.

In April 2004, the Authority was directed to create a subsidiary corporation to manage a loan fund for projects directly related to redevelopment initiatives in Newark's neighborhoods. The Authority created Working in Newark's Neighborhoods (WINN), over which it exercises significant influence, as a result of WINN's board being comprised principally of NJRA representatives. In addition, the Authority is financially accountable for WINN; therefore the accompanying financial statements include WINN as a discretely-presented component unit of the Authority.

Note 2 – Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

The Authority follows a proprietary fund type basis of accounting, accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting revenues are recognized when earned and expenses are recognized as they are incurred.

The Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Authority follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) statements and interpretations and Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In addition, the Authority has elected to apply ASC 310-10, Receivables, previously known as SFAS No. 114, Accounting by Creditors for impairment of a Loan.
NEW JERSEY REDEVELOPMENT AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS
DECEMBER 31, 2012

The Authority adopted GASB No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments. Statements 34 established standards for external financial reporting for all state and local governmental entities, which includes a Management Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position, a balance sheet, a statement of revenues and expenses and changes in fund net position and a statement of cash flows. It requires the classification of net position into three components – Investment in capital assets (net of related debt), Assigned and Unassigned (See Note 8).

Uses of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combining financial statements and the accompanying notes. Actual results could differ from those estimates.

Revenues Recognition
The Authority changes various financing fees which may include an application fee, commitment fee, and closing fee. Fees are recognized when earned. Interest and investment income are recognized as earned.

Interest income on notes receivable are recognized when interest is due on outstanding balances, calculated at interest rates ranging from 4% to 8%. Interest is compounded annually and payable in accordance with provisions of the respective note agreement. Management periodically reviews collectibility and will record a reserve based on an estimate of amounts deemed uncollectible.

Allowance for Doubtful Notes and Guarantee Losses
Allowances for doubtful notes and guarantee losses are determined in accordance with ASC 310-10. Receivables, previously known as SFAS No. 114, Accounting by Creditors for Impairment of a Loan, and guidelines established by the Office of Comptroller of Currency which include classifications based on routine reviews of various factors such as loan documentation, repayment history, underlying collateral value, site visits and meetings with the borrowers, all of which impact collectibility. (See Note 3).

Taxes
The Authority is exempt from all Federal and State income taxes and real estate taxes.

Cash and Cash Equivalents
The Authority considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Concentration of Custodial Risks
The Authority adopted GASB Statement No. 40 “Deposit and Investment Risk Disclosures,” which requires deposits exposed to custodial credit risk to be disclosed. Cash and cash equivalents as of December 31, 2012 and 2011, are as follows:

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td></td>
</tr>
<tr>
<td>Authority</td>
<td>$16,555,671</td>
</tr>
<tr>
<td>WINN</td>
<td>6,101,019</td>
</tr>
<tr>
<td>Total</td>
<td>$22,656,690</td>
</tr>
</tbody>
</table>

There were certain deposits in transit due to year end transfers. Investments consist of certificates of deposits.

Capital Assets
Capital assets are carried at cost. The Authority capitalizes assets costing $5,000 or more and uses the straight-line method of depreciation over a useful life of three years.

Operating and Non-Operating Revenues and Expenses
Consistent with GASB 34, the Authority defines revenues and expense transactions that support the ongoing operations of the Authority as operating. Non-operating revenues include most revenues from other than exchange and exchange-like transactions.

Restricted/Unrestricted Resources
When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the nature of the expense (i.e. restricted) determines what resource is applied first.

Note 3 – Notes Receivable
Notes receivable consist of loans and are generally collateralized by assets of the project, the assets of the borrowers, and/or personal assets and personal guarantees. The notes bear interest rates ranging from 4% to 8%, and mature at various times through 2033. At December 31, 2012 and 2011, notes receivable, net of allowances or participations, were as follows:

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and Participations:</td>
<td></td>
</tr>
<tr>
<td>Redevelopment Investment Loans</td>
<td>$12,033,961</td>
</tr>
<tr>
<td>Urban Site Acquisition Loans</td>
<td>20,266,489</td>
</tr>
<tr>
<td>Total Notes</td>
<td>34,300,450</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alliances and Guarantees:</td>
<td></td>
</tr>
<tr>
<td>Redevelopment Investment Fund Loans</td>
<td>$82,343</td>
</tr>
<tr>
<td>Urban Site Acquisition Loans</td>
<td>(10,336,252)</td>
</tr>
<tr>
<td>Total Notes Receivable, net</td>
<td>(597,423)</td>
</tr>
<tr>
<td>Notes Receivable, net</td>
<td>$23,574,724</td>
</tr>
</tbody>
</table>

For the year ended December 31, 2012, the Authority recorded a provision for bad debts for $318,179 relating to accrued interest that is estimated to be uncollectible. In addition, a provision was made for bad debts for $534,456 relating to non-performing loans that are estimated to be uncollectible.

Note 4 – Capital Assets
Capital asset activity for the year ended December 31, 2012 was as follows:

<table>
<thead>
<tr>
<th>2011</th>
<th>Additions</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and Equipment</td>
<td>$544,472</td>
<td>$20,688</td>
</tr>
<tr>
<td>Automobiles</td>
<td>64,696</td>
<td>-</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td>609,168</td>
<td>20,688</td>
</tr>
<tr>
<td>Accumulated Depreciation for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>(521,839)</td>
<td>(6,109)</td>
</tr>
<tr>
<td>Automobiles</td>
<td>(33,267)</td>
<td>(5,453)</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>(555,096)</td>
<td>(11,562)</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$154,342</td>
<td>$9,126</td>
</tr>
</tbody>
</table>
Note 5 – Investment

The Authority invested $598,750 in a limited liability company (the “Company”) established to own and operate a commercial real estate project. The Authority owns a 49% equity investment interest and uses the equity method to account for the capital investment. The Authority’s equity interest is adjusted for its share of the operating results (income and loss) of the Company. Distributions received from the Company reduce the carrying amount of the investment.

The cumulative effect of operating losses from the inception of the company totaled $598,750 for the year ended December 31, 2005 and was reported as a valuation reserve in the financial statements. During 2006, an agreement has been entered into whereby the partnership will be terminated and the initial investment will be returned to the Authority during 2007. The net investment value was $-0- as of December 31, 2012 and 2011, respectively. As of December 31, 2012 the investment has not been returned and its repayment is doubtful.

Note 6 – Due to Sub-Recipients

During 2004, the Authority entered into a memorandum of understanding with the New Jersey Department of Community Affairs (DCA) to oversee and manage the funding associated with the Community Economic Development Initiative (CEDI). The program provides grants to neighborhood housing nonprofits to expand their roles into economic development activities. The Authority did not receive any funds during 2012 and 2011 for this program.

The Authority has a custodial capacity agreement with the Department of Human Services (DHSS) Division of Family Development (DFD), in which the Authority will serve as trustee of the Work First New Jersey Entrepreneur Development Pilot Program (WFNJ) and Business Development Account Program (BDA).

There were no expenditures related to these programs during 2012 and 2011. As of December 31, 2012 and 2011, the unexpended balance for WFNJ and BDA was $303,636 and $304,618, respectively.

The New Jersey Women’s Micro-Business Credit Program is a collaborative economic development program implemented during 2006 by DCA’s Division on Women and NJRA, a DCA affiliate. The program helps women with minimal business experience become successful entrepreneurs. This program started with $712,500 from the State of New Jersey and funded projects totaling $121,222 during 2012.

A summary of the amounts due to sub-recipients from the above funding resources consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to Micro Credit</td>
<td>$ 26,792</td>
<td>$ 161,014</td>
</tr>
<tr>
<td>Due to WFNJ</td>
<td>166,000</td>
<td>168,000</td>
</tr>
<tr>
<td>Due to BDA</td>
<td>99,360</td>
<td>99,360</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$327,152</strong></td>
<td><strong>$448,374</strong></td>
</tr>
</tbody>
</table>

Note 7 – Commitments and Contingencies

Loans, Grants and Investments

The Authority had $3,100,000 and $1,050,000, respectively, of commitments from its Redevelopment Investment Fund not yet closed at December 31, 2012 and 2011, and $1,512,500 and $4,687,500, respectively, of commitments from its Urban Site Acquisition Program at December 31, 2012 and 2011. As of December 31, 2012, the Environmental Equity Program has been closed.

There were $3,961,157 of closed loans not yet disbursed at both December 31, 2012 and 2011, respectively.
Management of the Authority has the authority to express intended use resources in the assignment of fund balance, whereas an Authority resolution is required to express intended use of resources that results in a commitment of fund balance.

In addition, at December 31, 2012 and 2011, the Authority had net position totaling $906,326 and $906,559, respectively, available only for the Restricted Community Reinvestment Fund under the terms of the Loan Sales Agreement.

There is also $2,241,640 and $1,991,640 available for the Pre-Development Fund (See Note 9), as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, there is $5,896,325 and $7,941,131 available to WINN to make loans for Redevelopment Projects in the Newark area. The Authority had $0- and $0- of commitments from WINN at December 31, 2012 and 2011, respectively.

Note 9 – Pre-Development Fund

On June 30, 2003, the Authority entered into a non-revolving line of credit agreement with a financial institution for $2,500,000 to provide Pre-Development Funding. The Authority’s $2,500,000 was set-aside to match the $2,500,000 from the financial institution. The proceeds advanced by the Bank were to be matched 50% by the Authority and the amount of any pre-development loan issued to a borrower should not exceed $200,000. The interest rate for each advance was fixed and based on the prime rate in effect on the date the funds were advanced (the “funding date”). Interest is calculated daily and is due on the first day of July, October, January, and April of each year the agreement is outstanding. The principal amount of each advance is due two years following the funding date.

Under the agreement, the Authority was to provide a guarantee for loan funds disbursed, up to a maximum of $375,000.

In June 2005, the Pre-Development Fund was reconstituted and renamed the New Jersey Pre-Development Fund. The maximum loan amount to be disbursed is $250,000, for a maximum term of two years. This reconstitution eliminates the line of credit agreement with the Bank and the need for the Authority to guarantee up to $375,000. As of December 31, 2012 and 2011, there are no guarantees for outstanding loans.

Note 10 - Retirement System

All Authority employees participate in the Public Employees’ Retirement System (PERS) of New Jersey. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges the Authority annually for its respective contributions. The plans do not maintain separate records for each entity in the State and, therefore, the actuarial data for the Authority is not available.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member’s percentage is based on age determined at the effective date of enrollment. In addition, PERS bills the Authority annually at an actuarially determined rate for the Authority’s required contribution.

The contribution requirement of plan members and the Authority are established and may be amended by the Board of Trustees of the PERS.

Note 11 - Post Retirement Benefits Other Than Pension

The Authority is a member of the State of New Jersey’s cost sharing multiple-employer plan for health and other post retirement medical benefits. The Authority’s GASB #46 liability and associated costs will be included in the State of New Jersey’s Comprehensive Annual Financial Report on an annual basis.

The liability for the Authority’s employees’ is covered under the State plan. Additional information can be found on the State’s website.

Note 12 - Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2012 through the date of October 25, 2013, which is the date the combining 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 combining financial statements.
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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Livingston, New Jersey
October 25, 2013

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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