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NJRA

NEW JERSEY REDEVELOPMENT AUTHORITY

2012

ANNUAL REPORT

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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

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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

Leslie A. Anderson
Executive Director

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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).

Page 6 an 7: Nonprofit and for-profit developers, professional consultants, entrepreneurs and local and county government take advantage of multi-day NJRA RTI courses throughout the year that offer knowledge on the redevelopment planning law in New Jersey, real estate project feasibility and project finance.

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 here in a week than I ever would have imagined."

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

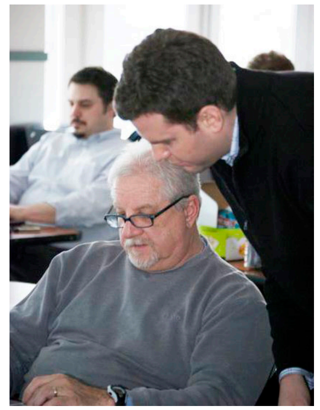
"The NJRA Redevelopment Training Institute has seasoned my professional career and provided me with the necessary working knowledge for developing projects. I was able to immediately incorporate these skills into my work performance. Today, I refer back to the handouts, 'My Development Bible,' as a refresher."

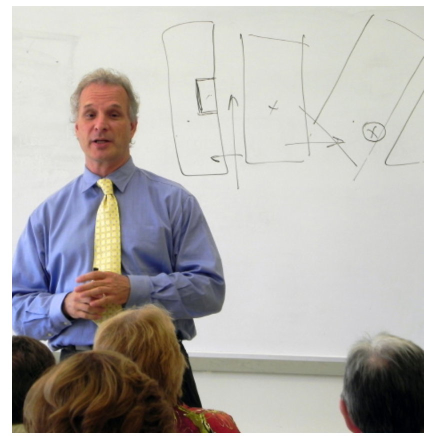
"Successful redevelopment requires a team of specialists knowledgeable of each part of the process. The NJRA Redevelopment Training Institute meets this task head on."

"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."

TECHNICAL ASSISTANCE

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.





TESTIMONIALS

"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."

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THE RESOURCES

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 redevelopment 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

69 ELIGIBLE COMMUNITIES

BERGEN COUNTY
Edgewater
Garfield
Hackensack
Lodi
Ridgefield

PASSAIC COUNTY
Clifton
Passaic
Paterson

WARREN COUNTY
Phillipsburg

ESSEX COUNTY
Belleville
Bloomfield
East Orange
Irvington
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
Bridgeton
Millville
Vineland

CAMDEN COUNTY
Camden
Gloucester City
Gloucester Township
Lawnside
Lindenwold
Pennsauken
Winslow

ATLANTIC COUNTY
Pleasantville

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Marge Creely
Administrative Analyst

NJRA
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

McEnerney, Brady & Co., LLC
Certified Public Accountants

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NEW JERSEY REDEVELOPMENT AUTHORITY
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DECEMBER 31, 2012

MBC
McENERNEY, BRADY & COMPANY, LLC
Certified Public Accountants

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.

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(914) 237-3676

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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.

McEnerney, Brady, Company, LLC

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 $92,000 or (17%).
- Total operating revenues decreased by $857,000 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.

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

	NJRA	WINN	2012 Total	2011 Total	$ Change	% Change
Current Assets	$28,797,465	$1,446,725	$30,244,190	$ 31,587,673	(1,343,483)	(4.3)%
Non-Current Assets	15,651,095	6,062,648	21,713,743	27,287,575	(5,573,832)	(20.4)
Total Assets	$44,448,560	$7,509,373	$51,957,933	$ 58,875,248	6,917,315	(11.7)
Total Liabilities	$ 444,017	$ -	$ 444,017	$ 535,700	$ (91,683)	(17.1)
Restricted Net Assets	10,806,372	612,988	11,419,360	18,795,004	(7,375,644)	(39.2)
Unrestricted Net Assets	33,138,195	6,896,385	40,034,580	39,490,602	543,978	1.3
Investment in Capital Assets	59,976	-	59,976	53,942	6,484	12.0
Total Net Position	$ 44,004,543	$ 7,509,373	$ 51,513,916	$ 58,339,548	($6,825,632)	(11.7%)

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 due to sub-recipients account and accounts payable. The sub-recipient account, NJ Women's Micro-Business Credit Program, decreased $121,000 due to disbursements for training and administrative, offset slightly by repayment 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 one 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:

	NJRA	WINN	2012 Total	2011 Total	$ Change	% Change
Total Operating Revenues	$1,527,393	$ 89,977	$1,617,370	$2,474,454	($857,084)	(34.6%)
Total Operating Expenses	7,425,400	1,054,552	8,479,952	2,882,216	5,597,736	1.9
Operating Income (Loss)	(5,898,007)	(964,575)	(6,862,582)	(407,762)	(6,454,820)	115.8
Total Non-Operating Revenues	27,144	9,806	36,950	62,849	(25,899)	(41.2)
Change in Net Position	$(5,870,007)	($954,769)	$(6,825,582)	$ (344,913)	($6,480,669)	18.8%

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

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 $.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 $.34 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 uncollectible 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 $991,615 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 accrued 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 State Street, 2nd Floor West, PO Box 790, Trenton, NJ 08625-790 or visit our web site at www.njra.us.

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NEW JERSEY REDEVELOPMENT AUTHORITY
Combining Statement of Net Position
December 31, 2012
(with Summarized Financial Information for 2011)

ASSETS	NJRA	WINN	Total 2012	Total 2011
Current Assets:				
Cash and Cash Equivalents	$ 1,029,889	$ 774,215	$ 1,804,104	$ 1,868,350
Prepaid Expenses	15,582		15,582	16,815
Notes Receivable	8,732,958	657,061	9,390,019	21,779,025
Accrued Interest Receivable on Notes	5,635,472	15,449	5,650,921	7,923,483
Total Current Assets	15,413,901	1,446,725	16,860,626	31,587,673
Noncurrent Assets:				
Restricted Cash	15,525,782	5,326,804	20,852,586	20,069,209
Long-Term Portion of Notes Receivable	13,448,901	735,844	14,184,745	7,164,424
Capital Assets	59,976		59,976	53,942
Total Assets	$ 44,448,560	$ 7,509,373	$ 51,957,933	$ 58,875,248
LIABILITIES AND NET POSITION				
Current Liabilities:				
Accounts Payable and Accrued Expenses	$ 116,865	$	$ 116,865	$ 87,326
Due to Sub-recipients	327,152		327,152	448,374
Total Current Liabilities	444,017		444,017	535,700
Net Position:				
Investment in Capital Assets	59,976		59,976	53,942
Assigned Fund Balance	10,806,372	612,988	11,419,360	18,795,004
Unassigned Fund Balance	33,138,195	6,896,385	40,034,580	39,490,602
Total Net Position	44,004,543	7,509,373	51,513,916	58,339,548
Total Liabilities and Net Position	$ 44,448,560	$ 7,509,373	$ 51,957,933	$ 58,875,248

The accompanying notes are an integral part of the combining financial statements.

NEW JERSEY REDEVELOPMENT AUTHORITY
Combining Statements of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2012
(with Summarized Financial Information for 2011)

	NJRA	WINN	Total 2012	2011
Operating Revenues:				
Interest Income on Notes Receivable	$ 1,198,043	$ 89,405	$ 1,287,448	$ 1,997,437
Fee Income	325,385		325,385	433,322
Other	3,965	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		279,898	279,898	296,468
General & Administrative	253,647		253,647	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
Loan Loss (Provision) Recovery			-	(62,222)
Provision for Program Losses	5,408,662	774,654	6,183,316	-
Total Operating Expenses	7,425,400	1,054,552	8,479,952	2,882,216
Operating Gain (Loss)	(5,898,007)	(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	8,464,142	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.

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NEW JERSEY REDEVELOPMENT AUTHORITY
Combining Statements of Cash Flows
For the Year Ended December 31, 2012
(with Summarized Financial Information for 2011)

	NJRA	WINN	Total 2012	2011
Cash Flows from Operating Activities:				
Cash Disbursed to Borrowers	$ (2,171,667)		$ (2,171,667)	$ (96,523)
Cash Received from Borrowers	4,567,370	110,038	4,677,408	1,439,999
Cash Disbursed for Goods & Services	(524,170)		(524,170)	(545,012)
Cash Disbursed for Personnel Costs	(1,157,481)		(1,157,481)	(1,272,899)
Cash Received for Management Fees	279,898		279,898	296,468
Cash Disbursed for Management Fees		(279,898)	(279,898)	(296,468)
Net Cash Used in Non-Capital Financing Activities	993,950	(169,860)	824,090	(474,435)
Cash Flows from Non Capital-Financing Activities:				
Cash Disbursed to Sub-recipients	(167,532)		(167,532)	(19,078)
Proceeds from Appropriations from the State	46,309		46,309	79,585
Net Cash Provided by Non-Capital Financing Activities	(121,223)		(121,223)	60,507
Cash Flows from Investing Activities:				
Purchase of Capital Assets	(20,686)		(20,686)	(21,448)
Investment Income	27,144	9,806	36,950	62,849
Net Cash Provided by Investing Activities	6,458	9,806	16,264	41,401
Net Decrease in Cash and Cash Equivalents	879,185	(160,054)	719,131	(372,527)
Cash and Cash Equivalents, Beginning of Year	15,676,486	6,261,073	21,937,559	22,310,086
Cash and Cash Equivalents, End of Year	$ 16,555,671	$ 6,101,019	$ 22,656,690	$ 21,937,559
Cash and Cash Equivalents Classified as:				
Current Assets	$ 1,029,889	$ 774,215	$ 1,804,104	$ 1,868,350
Restricted Assets	15,525,782	5,326,804	20,852,586	20,069,209
	$ 16,555,671	$ 6,101,019	$ 22,656,690	$ 21,937,559
Reconciliation of Operating Gain (Loss) to Net Cash Used In Operating Activities:				
Operating Gain (Loss)	$ (5,898,007)	$ (964,575)	$ (6,862,582)	$ (407,762)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used In Operating Activities:				
Depreciation	(20,120)		(20,120)	(19,529)
Provision for bad debts	176,681		176,681	824,000
Purchase of Capital Assets	(20,686)		(20,686)	(21,448)
Changes in Assets and Liabilities:				
(Increase) Decrease in Notes Receivable, Net	4,652,206	716,479	5,368,685	609,501
(Increase) Decrease in Prepaid Expenses	1,233		1,233	(7,097)
(Increase) in Accrued Interest Receivable	2,194,326	78,236	2,272,562	(1,424,314)
(Decrease) in Liabilities	(91,683)		(91,683)	(27,786)
Total Adjustments	6,891,957	794,715	7,686,672	(66,673)
Net Cash Used In Operating Activities	$ 993,950	$ (169,860)	$ 824,090	$ (474,435)

The accompanying notes are an integral part of the combining financial statements.

NEW JERSEY REDEVELOPMENT AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 $9,000,000 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 an 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 39.

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.*

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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).

Use 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.

Revenue Recognition
The Authority charges 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:

	2012		2011	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and Cash Equivalents:				
Authority	$16,555,671	$16,568,275	$15,676,486	$15,705,074
WINN	6,101,019	6,101,019	6,261,073	6,261,073
Total	$22,656,690	$22,669,294	$21,937,559	$21,966,147

The Authority maintains cash balances with financial institutions, which at times, exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Management monitors the soundness of these institutions and considers the Authority's risk negligible. Cash balances are insured by the FDIC up to $250,000 (through December 31, 2013) for each account.

NEW JERSEY REDEVELOPMENT AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 principle 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:

	2012	2011
Notes and Participations:		
Redevelopment Investment Fund Loans	$ 12,033,961	$ 10,465,736
Urban Site Acquisition Loans	20,266,489	23,101,253
WINN	2,090,335	2,130,691
Total Notes	34,390,785	35,697,680
Allowances and Guarantees:		
Redevelopment Investment Fund Loans	(82,340)	(991,615)
Urban Site Acquisition Loans	(10,036,252)	(5,741,309)
WINN	(697,429)	(21,307)
Notes Receivable, net	$ 23,574,764	$ 28,943,449

For the year ended December 31, 2012, the Authority recorded a provision for bad debts for $318,178 relating to accrued interest that is estimated to be uncollectible. In addition, a provision was made for bad debts for $534,458 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:

	2011	Additions	2012
Furniture and Equipment	$ 544,472	$ 20,686	$ 565,158
Automobiles	64,566	-	64,566
Total Capital Assets	609,038	20,686	629,724
Accumulated Depreciation for :			
Furniture and Equipment	(521,839)	(6,109)	(527,948)
Automobiles	(33,257)	(8,543)	(41,800)
Total Accumulated Depreciation	(555,096)	(14,652)	(569,748)
Capital Assets, Net	$ 53,942	$ 6,034	$ 59,976

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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 (DHS) 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:

	2012	2011
Due to Micro Credit	$ 29,792	$ 151,014
Due to WFNJ	198,000	198,000
Due to BDA	99,360	99,360
	$ 327,152	$ 448,374

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 $4,567,500, 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.

Guarantee Program
The Authority had no exposure for existing loan guarantees at December 31, 2012 and 2011. The obligation of the Authority to make payments under the terms of any guarantee agreement is expressly limited to monies available to the Authority and will not constitute a charge against the general credit of the Authority or of the State. The Authority held $588,872 and $587,991, respectively of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2012 and 2011.

Bond Program
The Authority acts as a conduit by issuing its qualified bonds for the purpose of financing projects for qualifying borrowers. The bonds are obtained from a third party and are not guaranteed by the Authority, nor does the Authority have any obligation with respect to these bonds and the bonds have no financial impact on the Authority.

The Authority has the ability to issue $100 million in taxable and tax-exempt bonds annually. The Authority issued $20.8 million in bonds to qualifying borrowers during 2012.

Operating Lease
The Authority entered into a lease for its administrative office space in August 2004. The term of the non-cancellable operating lease is six years, with two options to extend the lease term for two and one-half years each; on the same terms. The Authority executed these options in August 2009, extending the lease by five years. The Authority is also required to pay 15.84% of the landlord's operating expenses as additional rent.

The future minimum rental payments subsequent to December 31, 2012 under the lease are as follows:

2013	$ 155,900
2014	90,942
	$ 246,842

For the years ended December 31, 2012 and 2011, rent expense totaled $250,403 and $247,789, respectively.

Note 8 – Restriction on Net Position

The Authority had restricted net position totaling $10,806,372 and $18,795,004, respectively as of December 31, 2012 and 2011. The amount available only for the revolving loan portion of the Urban Site Acquisition program was $7,658,407. As of December 31, 2012, there was a balance of $3,147,965 available for remaining programs. The restriction for the Environmental Equity Program has been removed as the program was closed in 2012.

Fund Balances
The Authority has established a policy of classifying fund balances in accordance with GASB # 54 as follows:

Committed Fund Balance – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the highest-level action to remove or change the constraint. Presently amounts are committed for early retirement and retirement health benefits, which are actuarially determined.

Assigned Fund Balance – amount the Authority intends to use for a specific purpose. Presently, amounts are assigned for sick and vacation compensation and completion of special projects.

Unassigned Fund Balance – amounts that are available for any purposes; these amounts are reported only in the general fund.

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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 $606,559, 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 $6,896,385 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 year. 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 bill 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 #45 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.

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Certified Public Accountants

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

To the Board of Directors
New Jersey Redevelopment 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 New Jersey redevelopment Authority (the "Authority"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated 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*.

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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.

McEnerney, Brady & Company, LLC

Livingston, New Jersey
October 25, 2013

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