NEW JERSEY
REDEVELOPMENT AUTHORITY

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COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008
WITH
REPORTS OF INDEPENDENT AUDITORS

MBC McENERNEY, BRADY & COMPANY, LLC

NEW JERSEY REDEVELOPMENT AUTHORITY

AUDIT OF COMBINED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009
(with Summarized Financial Information
for the year ended December 31, 2008)

NEW JERSEY REDEVELOPMENT AUTHORITY
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McENERNEY, BRADY & COMPANY, LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Jersey Redevelopment Authority

We have audited the accompanying combined Statements of Net Assets of the New Jersey Redevelopment Authority (the "Authority"), a component unit of the State of New Jersey, and its component unit as of December 31, 2009, and the related combined statements of changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. The prior year summarized comparative information has been derived from the Authority's 2008 financial statements, and in our report dated March 5, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Redevelopment Authority and its component unit as of December 31, 2009, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 5, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic combined financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

McEnerney, Brady & Company, LLC

March 5, 2010

NEW JERSEY REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

Financial Highlights

- The Authority's total assets decreased by $3.59 million or 6.5%.
- Total liabilities decreased by $.54 million or 84.4%.
- The Authority's total net assets declined by $3.05 million or 5.3%.
- Total operating revenues improved by $.44 million or 18.6%
- Non-operating revenues decreased by $.51 million or 77%.

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

Significant Events

New Jersey Redevelopment Authority Redevelopment Training Institute

In an effort to promote the New Jersey Redevelopment Authority's mission, which is to provide a unique approach to revitalization in urban communities through the development of programs and resources, the New Jersey Redevelopment Authority's Redevelopment Training Institute (NJRA RTI) was created in 2006. The RTI offers intensive intermediate level training courses that focus on the redevelopment of New Jersey's communities. The goal of the Institute is to provide classroom instruction outlining the nuances of New Jersey's redevelopment planning process; focus on the rudiments of real estate development; and to unlock the key to understanding real estate finance. As of February 2010 five hundred and sixty participants have been trained. RTI students represent various business sectors including Mayors, municipal Business Administrators, attorneys, for-profit and non-for-profit developers, economic development consultants and others. In addition to exposing participants to professional experts, they build a network of peers, and resources on the state level to refer back to as they return to their communities to address redevelopment challenges and opportunities.

In 2009 the RTI began tailoring personalized courses for municipalities; offering consultation sessions to cities around redevelopment objectives; collaborating with additional organizations to leverage our resources, such as The New Jersey League of Municipalities; maintain existing corporate sponsors and identify new ones; as well as continuing to offer classes regionally, providing classes at north, south and central locations across the state. During the past eighteen months the RTI has garnered recognition by a number of professional licensing associations, thus allowing their members to attend class and receive necessary continuing education credits to maintain their license. Those organizations include the American Institute of Certified Planners; Northeastern Economic Developers Association; New Jersey State Board of Accountancy; and the New Jersey State Bar Association is pending. In 2010 the NJRA RTI will build its brand by improving upon its intermediate level courses and introduce more advanced classes.

Loan Activity for 2009

During 2009, the Authority approved 13 loans and completed 3 loan closings. As a result of this effort, the Authority reported a 3.4% improvement in its interest income on notes receivables and fee income over the prior year income. The Authority also reported $3.41 million in loan loss provision versus $.55 million the prior year. The unexpected increase in loan loss provision can be attributed to a number of troubled loans that are in foreclosure.

Net Assets:

The following table summarizes the changes in net assets between December 31, 2009 and 2008:

	NJRA	**WINN**	**Total 2009**	**Total 2008**	**Dollar Changes**	**Total Percent Change**
Current Assets	$22,590,733	$1,062,995	23,653,728	16,311,887	$7,341,841	31%
Non-Current Assets	23,733,529	7,763,398	31,496,927	42,423,879	(10,926,952)	(35%)
Total Assets	**46,324,262**	**8,826,393**	**55,150,655**	**58,735,766**	**(3,585,111)**	**(6.5%)**
Total Liabilities	**631,078**	**-0-**	**631,078**	**1,164,237**	**(533,159)**	**(84%)**
Restricted Net Assets	10,537,023	8,539,568	19,076,591	18,307,821	768,770)	4%
Unrestricted Net Assets	35,133,394	286,825	35,420,219	39,250,446	(3,830,227)	(11%)
Investment in Capital Assets	22,767	-0-	22,767	13,262	9,505	42%
Total Net Asset	**$45,693,184**	**$8,826,393**	**$54,519,577**	**$57,571,529**	**($3,051,952)**	**(6%)**

The current assets increased 31.0% to $23.7 million in FYE 2009 compared to $16.3 million in the previous year-end. This improvement was primarily a result of a $6.6 million increase in notes receivable. The increase can be attributed to long-term notes receivable reverting to current assets, coupled with a minor increase in notes receivable due to a few new loan issuances during fiscal year 2009. Noncurrent assets decreased 34.9% in FYE 2009, this decrease is a result of the long-term notes receivable reverting to current assets, as previously noted, plus the repayment of a small number of loans.

Total liabilities decreased $.53 million or 84% between FYE 2008 and FYE 2009, due to the decrease in the "due to sub-recipients" account. The program period for the Community Economic Development Initiative (CEDI) sub-recipient account ran from May 1, 2008 to April 30, 2009. The CEDI account was not replenished and most of the funds were disbursement during the year. As of FYE 2009, the CEDI account had $.021 million. Another sub-recipient account NJ Women's Micro-Business Credit Program decreased $.193 million due to disbursements for training and administrative and six (6) loan closings for the program, offset slightly by repayment of loans in the program.

The Authority's net assets declined to $54.5 million at FYE 2009 from $57.6 million at FYE 2008, the decrease was primarily a result of the increases in loan loss provisions. The unexpected increase in loan loss provision can be attributed to a number of troubled loans that are in foreclosure.

The following table summarizes the Changes in Net Assets between years 2009 and 2008:

	NJRA	WINN	Total 2009	Total 2008	Dollar Changes	Total Percent Change
Total Operating Revenues	$2,270,946	$110,326	$2,381,272	$1,938,364	$442,908	18.6%
Total Operating Expenses	5,217,958	374,315	5,580,596	2,809,401	2,771,195	49.7%
Operating Income (Loss)	**(2,947,012)**	**(252,312)**	**(3,199,324)**	**(871,037)**	**2,328,287**	**72.8%**
Total Non-Operating Revenues	110,007	37,365	147,372	651,915	504,543	(77.5%)
Total Non-Operating Expenses	-0-	-0-	-0-	-0-	-0-	0%
Changes in Net Assets	**($2,837,005)**	**($214,947)**	**($3,051,952)**	**$(219,112)**	**$2,832,840**	**(1393.6%)**

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 year ended December 31, 2009, the Authority recorded revenues of $2.38 million, a 18.6% improvement over the previous year. The improvement can be attributed to increases in interest income on notes receivables and fee income. After non-operating income of $ .15 million from investment income, the Authority reported a decrease in net assets of $3.052 million versus a gain in net assets of $.22 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 on 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 Net Assets. 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, 2009 and 2008, the Authority's allowance and guarantees for total notes receivables were $3,962,348 and $3,844,885 for the Redevelopment Fund and $4,593,558 and $1,479,387 for the Urban Site Acquisition Fund, respectively. The stated allowance for Notes Receivable for the Redevelopment Investment Fund is largely comprised of loans existing prior to the creation of the Authority. The WINN allowance was $15,231 for 2009 and $15,532 for 2008.

Contacting the Authority's Financial Management

This financial report is designed to provide New Jersey citizens and taxpayers, 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.

NEW JERSEY REDEVELOPMENT AUTHORITY
Combined Balance Sheets
December 31, 2009 and 2008

	ASSETS NJRA	WINN	Total 2009	Total 2008
Current assets:				
Cash and cash equivalents	$ 311,652	$ 385,037	$ 696,689	$ 4,764,909
Investments - short term	3,756,353		3,756,353	-
Prepaid Expenses	9,903		9,903	-
Notes receivable, net of allowances and participations	14,818,288	676,525	15,494,813	8,896,049
Accrued interest receivable on notes	3,694,537	1,433	3,695,970	2,650,929
Total current assets	22,590,733	1,062,995	23,653,728	16,311,887
Noncurrent assets:				
Restricted cash	13,135,315	6,931,999	20,067,314	21,779,714
Investment Interest Receivable	65,800		65,800	-
Long-term portion of notes receivable, net	10,509,647	831,399	11,341,046	20,630,902
Capital assets, net of accumulated depreciation	22,767		22,767	13,262
Total Assets	$ 46,324,262	$ 8,826,393	$ 55,150,655	$ 58,735,766
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	$ 65,648	$ -	$ 65,648	$ 86,063
Due to subrecipients	565,430		565,430	1,078,174
Total liabilities	631,078	-	631,078	1,164,237
Net assets:				
Investment in capital assets	22,767		22,767	13,262
Restricted net assets	10,537,023	8,539,568	19,076,591	18,307,821
Unrestricted net assets	35,133,394	286,825	35,420,219	39,250,446
Total net assets	45,693,184	8,826,393	54,519,577	57,571,529
Total liabilities and net assets	$ 46,324,262	$ 8,826,393	$ 55,150,655	$ 58,735,766

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

NEW JERSEY REDEVELOPMENT AUTHORITY
Combined Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	NJRA	WINN	Total 2009	2008
Operating Revenues:				
Interest Income on Notes Receivable	$ 1,808,116	$ 100,103	$ 1,908,219	$ 1,352,374
Fee Income	439,805	4,540	444,345	554,797
Other	23,025	5,683	28,708	31,194
Total Operating Revenues	2,270,946	110,326	2,381,272	1,938,364
Operating Expenses:				
Salaries & Benefits	1,240,576		1,240,576	1,245,144
Management Fee		362,936	362,936	374,574
General & Administrative	327,857		327,857	402,833
Rent	220,597		220,597	235,340
Depreciation	17,270		17,270	(579)
Loan Loss Provision	3,411,658	(298)	3,411,360	552,089
Total Operating Expenses	5,217,958	362,638	5,580,596	2,809,401
Operating Loss	(2,947,012)	(252,312)	(3,199,324)	(871,037)
Nonoperating Revenues and Expenses:				
Investment Income	110,007	37,365	147,372	651,915
Increase (Decrease) in Net Assets	(2,837,005)	(214,947)	(3,051,952)	(219,122)
Net Assets - Beginning of Year	48,530,189	9,041,340	57,571,528	57,790,650
Net Assets - End of Year	$ 45,693,184	$ 8,826,393	$ 54,519,576	$ 57,571,528

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

NEW JERSEY REDEVELOPMENT AUTHORITY
Combined Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	NJRA	WINN	Total 2009	2008
Cash Flows from Operating Activities:				
Cash Disbursed to Borrowers	$ (2,788,663)	$ -	$ (2,788,663)	$ (10,983,763)
Cash Received from Borrowers	2,378,993	142,699	2,521,692	1,207,810
Cash Received from Loan Participant		4,540	4,540	200
Cash Disbursed for Goods & Services	(548,454)		(548,454)	(638,173)
Cash Disbursed for Personnel Costs	(1,240,576)		(1,240,576)	(1,245,144)
Cash Received for Management Fees	362,936		362,936	374,574
Cash Disbursed for Management Fees		(362,936)	(362,936)	(374,574)
Net Cash (used in) provided by Non-Capital Financing Activities	(1,835,764)	(215,697)	(2,051,461)	(11,659,070)
Cash Flows from Non-Financing Activities:				
Cash Disbursed to Subrecipients	(512,744)		(512,744)	(442,240)
Proceeds from Appropriations from the State/Other	419,340		419,340	425,000
Net Cash (used in) provided by Non-Capital Financing Activities	(93,404)	-	(93,404)	(17,240)
Cash Flows from Investing Activities:				
Purchase of Fixed Assets	(26,774)		(26,774)	(6,656)
Investment Income	110,007	37,365	147,372	651,915
Net Cash Provided by Investing Activities	83,233	37,365	120,598	645,259
Net Increase (Decrease) in Cash and Cash equivalents	(1,845,935)	(178,332)	(2,024,267)	(11,031,051)
Cash & Cash Equivalents, Beginning of Year	19,049,255	7,495,368	26,544,623	37,575,674
Cash & Cash Equivalents, End of Year	$ 17,203,320	$ 7,317,036	$ 24,520,356	$ 26,544,623
Cash & Cash Equivalents Classified as:				
Current Assets	$ 4,068,005	$ 385,037	$ 4,453,042	$ 4,764,909
Restricted Assets	13,135,315	6,931,999	20,067,314	21,779,714
	$ 17,203,320	$ 7,317,036	$ 24,520,356	$ 26,544,623
Reconciliation of Operating Loss to Net Cash (Used In) Provided by Operating Activities:				
Operating Loss	$ (2,947,012)	$ (252,312)	$ (3,199,324)	$ (871,037)
Adjustments to Reconcile Operating Loss to Net Cash (Used In) Provided by Operating Activities:				
Depreciation - Net	(13,959)		(13,959)	(579)
Purchase of Capital Assets	(26,774)		(26,774)	(6,656)
Changes in Assets & Liabilities:				
(Increase)/Decrease in Notes Receivable, Net	2,661,381	29,712	2,691,093	(9,971,477)
(Increase) in Prepaid Expenses	9,903		9,903	-
(Increase) in Interest Receivable	65,800		65,800	
(Decrease)/Inc. in Accrued Interest Receivable	(1,051,944)	6,903	(1,045,041)	(764,794)
Increase (Decrease) in Liabilities	(533,159)		(533,159)	(44,527)
Total Adjustments	1,111,248	36,615	1,147,863	(10,788,033)
Net Cash (Used In) provided by Operating Activities	$ (1,835,764)	$ (215,697)	$ (2,051,461)	$ (11,659,070)

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

Notes 1 – Nature of the Authority

The New Jersey Redevelopment Authority (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.

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, 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.

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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 SFAS No. 114, *Accounting by Creditors for Impairment of a Loan.*

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 posture, a balance sheet, a statement of revenues and expenses and changes in fund net assets and a statement of cash flows. It requires the classification of net assets into three components – Invest in capital assets (net of related debt), Restricted, and Unrestricted.

<u>Use of Estimates</u>
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 financial statements and the accompanying notes. Actual results could differ from those estimates.

<u>Revenue Recognition</u>
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.

<u>Allowance for Doubtful Notes and Guarantee Losses</u>
Allowances for doubtful notes and guarantee losses are determined in accordance with 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 collectability.

Note 2 – Summary of Significant Accounting Policies (Continued)

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 subject to this risk because they are uninsured and uncollateralized as of December 31, 2009 and 2008, were as follows:

	2009		2008	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and Cash Equivalents:				
Authority	$17,203,320	$17,238,567	$19,049,255	$17,965,613
WINN	7,317,036	7,317,036	7,495,369	7,495,369
Total	$24,520,356	$24,555,603	$26,544,623	$25,460,981

There were certain deposits in transit at 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 (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 Resource
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 generally mature at various times through 2033. At December 31, 2009 and 2008, notes receivable net of allowances or participations, were as follows:

Note 3 – Notes Receivable (Continued)

	2009	2008
Notes and Participations:		
Redevelopment Investment Fund Loans	$10,538,999	$10,955,086
Urban Site Acquisition Loans	23,344,841	22,358,500
WINN	1,523,156	1,553,169
Total Notes	35,406,996	34,866,755
Allowances and Guarantees:		
Redevelopment Investment Fund Loans	(3,962,348)	(3,844,885)
Urban Site Acquisition Loans	(4,593,558)	(1,479,387)
WINN	(15,231)	(15,532)
Notes Receivable, Net	$ 26,835,859	$29,526,951

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	2008	Additions	Retirements	2009
Furniture and Equipment	$499,690	$26,774	$ 3,310	$523,154
Automobiles	62,104	-	-	62,104
Total Capital Assets	561,794	26,774	3,310	585,258
Accumulated Depreciation for :				
Furniture and Equipment	(486,428)	13,959	-	(500,387)
Automobiles	(62,104)	-	-	(62,104)
Total Accumulated Depreciation	(548,532)	13,959	-	(562,491)
Capital Assets, Net	$ 13,262	$12,815	$ 3,310	$ 22,767

Note 5 – Investment

The Authority invested $598,750, initially, in a Limited Liability 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 initial investment is recorded at cost and the Authority's equity interest is adjusted for its share of the operating results (income and loss) of the Limited liability Company, regardless of whether the amount was actually remitted. Dividends received from the investee 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. The net investment value was $ -0- as of December 31, 2009 and 2008, respectively. 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.

Note 5 – Investment (continued)

The investment was not returned during 2007, 2008 or during 2009 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 received $-0- and $425,000 during 2009 and 2008, respectively, for this program. The unexpended balance of these funds as of December 31, 2009 and 2008 was $21,282 and $383,903, respectively.

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 2009 and 2008. As of December 31, 2009 and 2008, the unexpended balance for WFNJ and BDA was $297,581 and $198,701, 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 $60,030 during 2009 and $72,869 during 2008.

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

	2009	2008
Due to CEDI	$ 21,250	$340,000
Due to Micro Credit	246,820	440,814
Due to WFNJ	198,000	198,000
Due to BDA	99,360	99,360
Total	$565,430	$1,078,174

Note 7 – Commitments and Contingencies

A – Loans, Grants and Investments

The Authority had $2,008,085 and $2,850,000 of commitments from its Redevelopment Investment Fund not yet closed at December 31, 2009 and 2008, respectively. The Authority also had $1,458,030 and $2,572,500 of commitments from its Urban Site Acquisition Program at December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, the Environmental Equity Program had commitments of $-0- and $-0-, respectively.

Note 7 – Commitments and Contingencies (Continued)

There were $6,634,178 and $7,151,760 of closed loans not yet disbursed at December 31, 2009 and 2008, respectively.

B - Guarantee Program

The Authority had $-0- and $-0- of exposure for existing loan guarantees at December 31, 2009 and 2008. 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 $571,941 and $571,547 of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2009 and 2008, respectively.

C – 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 under the lease are as follows:

For the Year Ended		
	2010	$155,000
	2011	155,000
	2012	155,450
	2013	155,900
	2014	90,942
		$712,292

Rent expense totaled $220,597 and $235,340 as of December 31, 2009 and 2008.

Note 8 – Restriction on Net Assets

The Authority had net assets totaling $5,123,250 and $4,951,747 as of December 31, 2009 and 2008, respectively, available only for the revolving loan portion of the Urban Site Acquisition program (USA). Additionally, during 2005, $9,934,818 of the USA loan funds were designated for the Environmental Equity Program (E2P). As of December 31, 2009, there was a balance of $2,770,818 available for the program.

In addition, at December 31, 2009 and 2008, the Authority had net assets totaling $568,240 and $544,469, respectively, available only for the Restricted Community Reinvestment Fund under the terms of the Loan Sales Agreement.

Note 8 – Restriction on Net Assets (Continued)

There is also $2,074,715 and $2,138,646 available for the Pre-Development Fund (See Note 9), as of December 31, 2009 and 2008, respectively.

Finally, there is $8,539,568 and $8,865,140 available to WINN to make loans for Redevelopment Projects in the Newark area as of December 31, 2009 and 2008, respectively. The Authority had $2,798,875 and $2,170,000 of commitments from WINN at December 31, 2009 and 2008, 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 (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.

Finally, 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, 2009 and 2008, the guarantee for outstanding loans is $-0- and -0-, respectively.

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.

Note 10-Retirement System (continued)

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.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplemental information for the PERS. These financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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.

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McENERNEY, BRADY & COMPANY, LLC

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERMATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
New Jersey Redevelopment Authority

We have audited the financial statements of the New Jersey Redevelopment Authority (the "Authority") and its component unit as of December 31, 2009 and have issued our report thereon dated March 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A matter weakness is a condition under which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statements amounts.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERMATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

Compliance and Other Matters (continued)

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the New Jersey Redevelopment Authority, the audit committee, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

McEnerney, Brady & Company, LLC

March 5, 2010