NEW JERSEY REDEVELOPMENT AUTHORITY

Combining Financial Statements
December 31, 2010
(with Summarized Financial Information
for the year ended December 31, 2009)

With Independent Auditors' Report
and
Report on Internal Control and Compliance

McEnerney, Brady & Co., LLC
Certified Public Accountants

NEW JERSEY REDEVELOPMENT AUTHORITY
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DECEMBER 31, 2010

MBC
McENERNEY, BRADY & COMPANY, LLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
New Jersey Redevelopment Authority

We have audited the accompanying combining Statement 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, 2010, and the related combined statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These combining 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 audit. The prior year summarized comparative information has been derived from the Authority's 2009 financial statements, and in our report dated March 5, 2010, we expressed an unqualified opinion on those financial statements.

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 General of the United States. Those standards require that we plan and perform the audit 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 combining 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 combining 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, 2010, 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 21, 2011 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.

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The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic combining 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

Livingston, New Jersey
March 21, 2011

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, 2010. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

Financial Highlights

- The Authority's total assets increased by $4.1 million or 7.4%.
- Total liabilities decreased by $.07 million or 10.7%.
- The Authority's total net assets increased by $4.2 million or 7.6%.
- Total operating revenues improved by $3.9 million or 164.2%
- Non-operating revenues, net of non-operating expenditures decreased by $.04 million or 27%.

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

Municipal Redevelopment Discussions

The Municipal Redevelopment Discussion effort offers the opportunity for NJRA eligible municipalities to use the knowledge and expertise of the departments, agencies and public members on the Board to further their redevelopment projects. Scheduled for alternate Board meeting dates, municipal representatives will present to the NJRA Board a project or plan and articulate what financial assistance, resources and/or technical assistance is needed to proceed with the project or plan. The Director of Community Planning is responsible for identifying and qualifying a municipality, as well as monitoring and reporting on any follow-up items.

These Discussions allow Board members to have a direct impact on redevelopment projects, further enhance the scope of state representation on the NJRA Board and enable the NJRA to provide valuable technical assistance to our eligible municipalities. The first MRD is scheduled for February 2011.

Loan and Conduit Bond Financing Activities for 2010

During 2010, the Authority approved 6 loans and completed 4 loan closings. In addition, the Authority had two bond closings during the year:

- $1.87 million in NJRA tax-exempt bond financing to The Leaguers, Inc. to reimburse project costs associated with the development of a 44,000 SF school and administrative building.
- $8.2 million in NJRA tax-exempt and taxable bond financing to the Friends of Central Jersey Arts Charter School to develop a 46,000 SF school building.

Net Assets:
The following table summarizes the changes in net assets between December 31, 2010 and 2009:

	NJRA	WINN	Total 2010	Total 2009	Dollar Changes	Total Percent Change
Current Assets	$29,539,406	$1,267,647	$30,807,053	$23,653,728	$7,153,325	30.2%
Non-Current Assets	21,099,815	7,341,079	28,440,894	31,496,927	(3,056,033)	(9.7%)
Total Assets	**50,639,221**	**8,608,726**	**59,247,947**	**55,150,655**	**4,097,292**	**7.4%**
Total Liabilities	**563,486**	**-0-**	**563,486**	**631,078**	**(67,592)**	**(10.7%)**
Restricted Net Assets	10,123,783	8,220,033	18,343,816	19,076,591	(732,775)	(37.1%)
Unrestricted Net Assets	39,899,928	388,693	40,288,621	35,420,219	4,868,402	(3.8%)
Investment in Capital Assets	52,024	-0-	52,024	22,767	29,257	128.5%
Total Net Asset	**$50,075,735**	**$8,608,726**	**$58,684,461**	**$54,519,577**	**$4,164,884**	**7.6%**

The current assets increased 30.2% to $30.8 million in FYE 2010 compared to $23.7 million in the previous year-end. This improvement was primarily a result of a $3.6 million increase in accrued interest receivable on notes. 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 2010. Non-current assets decreased 9.7% in FYE 2010, 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 $.07 million or 10.7% between FYE 2009 and FYE 2010, 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, 2009 to April 30, 2010. The CEDI account was not replenished and the remaining funds were disbursed during the year. As of FYE 2010, the CEDI account had $ -0-. Another sub-recipient account NJ Women's Micro-Business Credit Program decreased $.081 million due to disbursements for training and administrative and three (3) loan closings for the program, offset slightly by repayment of loans in the program.

The Authority's net assets increased to $58.7 million at FYE 2010 from $54.5 million at FYE 2009, the increase was primarily a result of the increase in interest income on notes receivable. The unexpected increase in interest income on notes receivable can be attributed to a loan that was previously written off to be recognized as collectible.

The following table summarizes the Changes in Net Assets between years 2010 and 2009:

	NJRA	WINN	Total 2010	Total 2009	Dollar Changes	Total Percent Change
Total Operating Revenues	$6,182,684	$108,180	$6,290,864	$2,381,272	$3,909,592	164.2%
Total Operating Expenses	1,880,597	352,912	2,233,509	5,580,596	(3,347,087)	(60%)
Operating Income (Loss)	**4,302,087**	**(244,732)**	**4,057,355**	**(3,199,324)**	**7,256,679**	**226.8%**
Total Non-Operating Revenues	80,464	27,065	107,529	147,372	(39,843)	(27%)
Total Non-Operating Expenses	-0-	-0-	-0-	-0-	-0-	0%
Changes in Net Assets	**$4,382,551**	**($217,667)**	**$4,164,884**	**($3,051,952)**	**$7,216,836**	**236.5%**

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, 2010, the Authority recorded revenues of $6.29 million, a 164.2% improvement over the previous year. The improvement can be primarily attributed to the adjustments made in accrued interest income coupled with the release of reserves in Loan Loss Provision associated with a loan that the Authority had previously written-off. After non-operating income of $ .11 million from investment income, the Authority reported a gain in net assets of $4.16 million versus a decrease in net assets of $3.052 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, 2010 and 2009, the Authority's allowance and guarantees for total notes receivables were $994,936 and $3,962,348 for the Redevelopment Fund and $5,882,098 and $4,593,558 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 $21,545 for 2010 and 15,231 for 2009.

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.

NEW JERSEY REDEVELOPMENT AUTHORITY
Combining Statement of Net Assets
(summarized information for 2009)
December 31, 2010

	NJRA	WINN	Combined 2010	Combined 2009
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	$ 4,081,883	$ 494,924	$ 4,576,807	$ 696,689
Investments - Short Term	-	-	-	3,756,353
Prepaid Expenses	9,718	-	9,718	9,903
Notes Receivable	18,177,187	720,172	18,897,359	15,494,813
Accrued Interest Receivable on Notes	7,270,618	52,551	7,323,169	3,695,970
Total Current Assets	29,539,406	1,267,647	30,807,053	23,653,728
Noncurrent Assets:				
Restricted Cash	11,804,932	5,928,347	17,733,279	20,067,314
Investment Interest Receivable	-	-	-	65,800
Long-Term Portion of Notes Receivable	9,242,859	1,412,732	10,655,591	11,341,046
Capital Assets	52,024	-	52,024	22,767
Total Assets	$ 50,639,221	$ 8,608,726	$ 59,247,947	$ 55,150,655
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable and Accrued Expenses	$ 100,796	$ -	$ 100,796	$ 65,648
Due to Subrecipients	462,690	-	462,690	565,430
Total Liabilities	563,486	-	563,486	631,078
Net Assets:				
Investment in Capital Assets	52,024	-	52,024	22,767
Restricted Net Assets	10,123,783	8,220,033	18,343,816	19,076,591
Unrestricted Net Assets	39,899,928	388,693	40,288,621	35,420,219
Total Net Assets	50,075,735	8,608,726	58,684,461	54,519,577
Total Liabilities and Net Assets	$ 50,639,221	$ 8,608,726	$ 59,247,947	$ 55,150,655

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

NEW JERSEY REDEVELOPMENT AUTHORITY
Combining Statements of Revenues, Expenses and Changes in Net Assets
(summarized information for 2009)
Year ended December 31, 2010

	NJRA	WINN	Combined 2010	Combined 2009
Operating Revenues:				
Interest Income on Notes Receivable	$ 4,012,807	$ 101,070	$ 4,113,877	$ 1,908,219
Fee Income	482,026	7,110	489,136	444,345
Reinstatement of Loan, Net	1,678,872	-	1,678,872	-
Other	8,979	-	8,979	28,708
Total Operating Revenues	6,182,684	108,180	6,290,864	2,381,272
Operating Expenses:				
Salaries & Benefits	1,290,226	-	1,290,226	1,240,576
Management Fee	-	346,600	346,600	362,936
General & Administrative	330,665	-	330,665	327,857
Rent	246,267	-	246,267	220,597
Depreciation	13,439	-	13,439	17,270
Loan Loss Provision	-	6,312	6,312	3,411,360
Total Operating Expenses	1,880,597	352,912	2,233,509	5,580,596
Operating Gain (Loss)	4,302,087	(244,732)	4,057,355	(3,199,324)
Nonoperating Revenues:				
Interest Income - Investments	77,464	27,065	104,529	147,372
Other Income - Gain on Disposal of Assets	3,000	-	3,000	-
Increase (Decrease) in Net Assets	4,382,551	(217,667)	4,164,884	(3,051,952)
Net Assets - Beginning of Year	45,693,184	8,826,393	54,519,576	57,571,528
Net Assets - End of Year	$ 50,075,735	$ 8,608,726	$ 58,684,460	$ 54,519,576

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

NEW JERSEY REDEVELOPMENT AUTHORITY
Combining Statement of Cash Flows
(summarized information for 2009)
Year ended December 31, 2010

	NJRA	WINN	Total 2010	2009
Cash Flows from Operating Activities:				
Cash Disbursed to Borrowers	$ (1,797,225)	$ (682,400)	$ (2,479,625)	$ (2,788,663)
Cash Received from Borrowers	1,896,932	101,060	1,997,992	2,521,692
Cash Received from Loan Participant	-	7,110	7,110	4,540
Cash Disbursed for Goods & Services	(576,932)	-	(576,932)	(548,454)
Cash Disbursed for Personnel Costs	(1,290,226)	-	(1,290,226)	(1,240,576)
Cash Received for Management Fees	346,600	-	346,600	362,936
Cash Disbursed for Management Fees	-	(346,600)	(346,600)	(362,936)
Net Cash Used in Operating Activities	(1,420,851)	(920,830)	(2,341,681)	(2,051,461)
Cash Flows from Financing Activities:				
Cash Disbursed to Subrecipients	(102,740)	-	(102,740)	(512,744)
Proceeds from Appropriations from the State	169,322	-	169,322	419,340
Net Cash Provided by (Used in) Financing Activities	66,582	-	66,582	(93,404)
Cash Flows from Investing Activities:				
Purchase of Fixed Assets	(39,700)	-	(39,700)	(26,774)
Investment Income	77,464	27,065	104,529	147,372
Net Cash Provided by Investing Activities	37,764	27,065	64,829	120,598
Net Decrease in Cash	(1,316,505)	(893,765)	(2,210,270)	(2,024,267)
Cash and Cash Equivalents, Beginning of Year	17,203,320	7,317,036	24,520,356	26,544,623
Cash and Cash Equivalents, End of Year	$ 15,886,815	$ 6,423,271	$ 22,310,086	$ 24,520,356
Cash & Cash Equivalents Classified as:				
Current Assets	$ 4,081,883	$ 494,924	$ 4,576,807	$ 4,453,042
Restricted Assets	11,804,932	5,928,347	17,733,279	20,067,314
	$ 15,886,815	$ 6,423,271	$ 22,310,086	$ 24,520,356
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:				
Operating Gain (Loss)	$ 4,302,087	$ (244,732)	$ 4,057,355	$ (3,199,324)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used In Operating Activities:				
Depreciation - Net	(13,439)	-	(13,439)	(13,959)
Purchase of Capital Assets	(39,700)	-	(39,700)	(26,774)
Changes in Assets and Liabilities:				
(Increase) in Notes Receivable, Net	(2,092,111)	(624,980)	(2,717,091)	2,691,093
Decrease in Prepaid Expenses	185	-	185	9,903
Decrease in Interest Receivable	65,800	-	65,800	65,800
(Increase) in Accrued Interest Receivable	(3,576,081)	(51,118)	(3,627,199)	(1,045,041)
(Decrease) in Liabilities	(67,592)	-	(67,592)	(533,159)
Total Adjustments	(5,722,938)	(676,098)	(6,399,036)	1,147,863
Net Cash Used in Operating Activities	$ (1,420,851)	$ (920,830)	$ (2,341,681)	$ (2,051,461)

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

Note 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 (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.

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 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.

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 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.

Allowance for Doubtful Notes and Guarantee Losses
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.

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, 2010 and 2009, were as follows:

	2010		2009	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and Cash Equivalents:				
Authority	$15,886,815	$15,926,322	$17,203,320	$17,238,567
WINN	6,423,271	6,558,339	7,317,036	7,317,036
Total	$22,310,086	$22,484,661	$24,520,356	$24,555,603

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 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 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, 2010 and 2009, notes receivable net of allowances or participations, were as follows:

	2010	2009
Notes and Participations:		
Redevelopment Investment Fund Loans	$ 10,797,947	$ 10,538,999
Urban Site Acquisition Loans	23,499,134	23,344,841
WINN	2,154,449	1,523,156
Total Notes	36,451,530	35,406,996
Allowances and Guarantees:		
Redevelopment Investment Fund Loans	(994,936)	(3,962,348)
Urban Site Acquisition Loans	(5,882,098)	(4,593,558)
WINN	(21,545)	(15,231)
Notes Receivable, net	$ 29,552,951	$ 26,835,859

During 2010, the New Jersey Economic Development Authority (NJEDA) note, which was previously written-off, was given new life through the actions of the NJEDA to obtain a secondary mortgage securing the original note. The Authority subsequently decreased the allowance on the note and increased the loan loss provision by $2,970,000. In addition, interest receivable and interest income were increased by $2,119,000 in order to recognize the accrued interest income.

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	2009	**Additions**	**Retirements**	**2010**
Furniture and Equipment	$523,154	$ -	$ 130	$523,024
Automobiles	62,104	42,700	40,238	64,566
Total Capital Assets	585,258	42,700	40,368	587,590
Accumulated Depreciation for :				
Furniture and Equipment	(500,387)	10,591	126	(510,852)
Automobiles	(62,104)	2,848	40,238	(24,714)
Total Accumulated Depreciation	(562,491)	13,439	40,364	(535,566)
Capital Assets, Net	$ 22,767	$29,261	$ 4	$ 52,024

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, 2010 and 2009, 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. The investment was not returned during 2007, 2008, 2009 or 2010 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 $-0- during 2010 and 2009, respectively, for this program. The unexpended balance of these funds as of December 31, 2010 and 2009 was $ -0- and $21,282, 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 2010 and 2009. As of December 31, 2010 and 2009, the unexpended balance for WFNJ and BDA was $264,690 and $297,581, 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 $87,500 during 2010 and $60,030 during 2009.

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

	2010	2009
Due to CEDI	$ -	$ 21,250
Due to Micro Credit	165,330	246,820
Due to WFNJ	198,000	198,000
Due to BDA	99,360	99,360
	$ 462,690	$ 565,430

Note 7 – Commitments and Contingencies

A – Loans, Grants and Investments

The Authority had $1,550,000 and $2,008,085 of commitments from its Redevelopment Investment Fund not yet closed at December 31, 2010 and 2009, respectively. The Authority also had $317,500 and $1,458,030 of commitments from its Urban Site Acquisition Program at December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, the Environmental Equity Program had no commitments.

There were $3,987,681 and $6,634,178 of closed loans not yet disbursed at December 31, 2010 and 2009, respectively.

B - Guarantee Program

The Authority had no exposure for existing loan guarantees at December 31, 2010 and 2009. 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 $586,342 and $571,941 of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2010 and 2009, respectively.

C – 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 $10.07 million in bonds to qualifying borrowers during 2010.

D – 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, 2010 under the lease are as follows:

2011	$ 155,000
2012	155,450
2013	155,900
2014	90,942
	$ 557,292

For the years ended December 31, 2010 and 2009, rent expense totaled $246,267 and $220,597, respectively.

Note 8 – Restriction on Net Assets

The Authority had net assets totaling $6,279,169 and $5,123,250 as of December 31, 2010 and 2009, 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, 2010, there was a balance of $1,470,818 available for the program.

In addition, at December 31, 2010 and 2009, the Authority had net assets totaling $588,845 and $568,240, respectively, available only for the Restricted Community Reinvestment Fund under the terms of the Loan Sales Agreement.

There is also $1,784,951 and $2,074,715 available for the Pre-Development Fund (See Note 9), as of December 31, 2010 and 2009, respectively.

Finally, there is $8,220,033 and $8,539,568 available to WINN to make loans for Redevelopment Projects in the Newark area as of December 31, 2010 and 2009, respectively. The Authority had $365,000 and $2,798,875 of commitments from WINN at December 31, 2010 and 2009, 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.

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, 2010 and 2009, 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.

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, 2010 through the date of March 21, 2011, 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.

MBC
McENERNEY, BRADY & COMPANY, LLC
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 Board of Directors
New Jersey Redevelopment Authority

We have audited the combined financial statements of the New Jersey Redevelopment Authority (the "Authority") as of and for the year ended December 31, 2010, and have issued our report thereon dated March 21, 2011. 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 General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors,, the audit Committee, management, and the federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McEnerney, Brady & Company, LLC

Livingston, New Jersey
March 21, 2011