NEW JERSEY REDEVELOPMENT AUTHORITY

Combining Financial Statements
December 31, 2011
(with Summarized Financial Information for 2010)

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, 2011

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, 2011, and the related combining 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 2010 financial statements, and in our report dated March 21, 2011, 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 combining 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, 2011, 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 22, 2012 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 2 through 4 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

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March 22, 2012

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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, 2011. 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 million or (1%).
- Total liabilities decreased by $28,000 or (4.9%).
- The Authority's total net assets decreased by $.3 million or (1%).
- Total operating revenues decreased by $3.8 million or (60.7%).
- Non-operating revenues, net of non-operating expenditures, decreased by $45,000 or (41.6%).

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 2011

During 2011, the Authority approved six loans. However, due to the continued economic crisis and the tightened credit policies of the banking industry, the Authority was unable to close on any 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.

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, 2011 and 2010:

	NJRA	WINN	2011 Total	2010 Total	$ Change	% Change
Current Assets	$ 29,621,452	$ 1,966,221	$ 31,587,673	$ 30,807,053	$ 780,620	3.0%
Non-Current Assets	20,789,654	6,497,921	27,287,575	28,440,894	(1,153,319)	(4.1)
Total Assets	$ 50,411,106	$ 8,464,142	$ 58,875,248	$ 59,247,947	$ 372,699	(1.1)
Total Liabilities	$ 535,700	$ -	$ 535,700	$ 563,486	$ (27,786)	(4.9)
Restricted Net Assets	10,853,873	7,941,131	18,795,004	18,343,816	451,188	2.5
Unrestricted Net Assets	38,967,591	523,011	39,490,602	40,288,621	(798,019)	(2.0)
Investment in Capital Assets	53,942	-	53,942	52,024	1,918	3.7
Total Net Assets	$ 49,875,406	$ 8,464,142	$ 58,339,548	$ 58,684,461	($ 344,913)	(1.0%)

Total Assets decreased slightly to $58.8 million in 2011 compared to $59.2 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 $.8 million for allowances against accrued interest on notes.

Total liabilities decreased $28,000 or 4.9% between from 2010 to 2011, 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 $14,316 due to disbursements for training and administrative, offset slightly by repayment of loans in the program.

The Authority's Net Assets decreased to $58.3 million at December 2011 from $58.7 million at December 2010, which was due to current year operations generating a loss of approximately $.3 million. The loss in 2011 was due to a one time charge of $.8 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 Assets from 2010 and 2011:

	NJRA	WINN	2011 Total	2010 Total	$ Change	% Change
Total Operating Revenues	$2,340,372	$ 134,082	$2,474,454	$6,290,864	($3,816,410)	(60.7%)
Total Operating Expenses	2,585,984	296,232	2,882,216	2,233,509	648,707	59.3
Operating Income (Loss)	(245,984)	(162,150)	(407,762)	4,057,355	(4,465,117)	(110.0)
Total Non-Operating Revenues	45,283	17,566	62,849	107,529	(44,680)	(41.6)
Change in Net Assets	$(200,329)	($144,584)	$(344,913)	$ 4,164,884	($4,509,798)	(108.3%)

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, 2011, the Authority recognized revenues of $2.47 million, a decrease of 60.7% over the previous year. The decrease is primarily attributable to reinstating a loan that the Authority had previously written-off and reinstated in 2010. After non-operating income of $.06 million from investment income, the Authority reported a decrease in net assets of $.3 million compared to a gain in net assets of $4.16 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 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, 2011 and 2010, the Authority's allowance and guarantees for notes receivables were $991,615 and $994,936 for the Redevelopment Investment Fund ("RIF") and $5,741,309 and $5,882,098, 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 $21,307 for 2011 and $21,545 for 2010. As previously disclosed, the Authority recorded a reserve for uncollectible accrued interest in 2011 of $.8 million. 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.

NEW JERSEY REDEVELOPMENT AUTHORITY
Combining Statement of Net Assets
December 31, 2011
(with Summarized Financial Information for 2010)

ASSETS

	NJRA	WINN	Total 2011	Total 2010
Current Assets:				
Cash and Cash Equivalents	$ 1,205,239	$ 663,111	$ 1,868,350	$ 4,576,807
Prepaid Expenses	16,815		16,815	9,718
Notes Receivable	20,569,600	1,209,425	21,779,025	18,897,359
Accrued Interest Receivable on Notes	7,829,798	93,685	7,923,483	7,323,169
Total Current Assets	29,621,452	1,966,221	31,587,673	30,807,053
Noncurrent Assets:				
Restricted Cash	14,471,247	5,597,962	20,069,209	17,733,279
Long-Term Portion of Notes Receivable	6,264,465	899,959	7,164,424	10,655,591
Capital Assets	53,942		53,942	52,024
Total Assets	$ 50,411,106	$ 8,464,142	$ 58,875,248	$ 59,247,947

LIABILITIES AND NET ASSETS

	NJRA	WINN	Total 2011	Total 2010
Current Liabilities:				
Accounts Payable and Accrued Expenses	$ 87,326	$	$ 87,326	$ 100,796
Due to Sub-recipients	448,374		448,374	462,690
Total Current Liabilities	535,700		535,700	563,486
Net Assets:				
Investment in Capital Assets	53,942		53,942	52,024
Assigned Fund Balance	10,853,873	7,941,131	18,795,004	18,343,816
Unassigned Fund Balance	38,967,591	523,011	39,490,602	40,288,621
Total Net Assets	49,875,406	8,464,142	58,339,548	58,684,461
Total Liabilities and Net Assets	$ 50,411,106	$ 8,464,142	$ 58,875,248	$ 59,247,947

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 Assets
For the year ended December 31, 2011
(with Summarized Financial Information for 2010)

	NJRA	WINN	Total 2011	2010
Operating Revenues:				
Interest Income on Notes Receivable	$ 1,863,596	$ 133,841	$ 1,997,437	$ 4,113,877
Fee Income	433,322		433,322	489,136
Reinstatement of Loan				1,678,872
Other	43,454	241	43,695	8,979
Total Operating Revenues	2,340,372	134,082	2,474,454	6,290,864
Operating Expenses:				
Salaries & Benefits	1,272,899		1,272,899	1,290,226
Management Fee		296,468	296,468	346,600
General & Administrative	283,753		283,753	330,665
Rent	247,789		247,789	246,267
Depreciation	19,529		19,529	13,439
Provision for Bad Debts-Interest	824,000		824,000	
Loan Loss (Provision) Recovery	(61,986)	(236)	(62,222)	6,312
Total Operating Expenses	2,585,984	296,232	2,882,216	2,233,509
Operating Gain (Loss)	(245,612)	(162,150)	(407,762)	4,057,355
Nonoperating Revenues:				
Interest Income - Investments	45,283	17,566	62,849	104,529
Gain on Disposal of Assets				3,000
Increase (Decrease) in Net Assets	(200,329)	(144,584)	(344,913)	4,164,885
Net Assets - Beginning of Year	50,075,735	8,608,726	58,684,461	54,519,576
Net Assets - End of Year	$ 49,875,406	$ 8,464,142	$ 58,339,548	$ 58,684,461

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

NEW JERSEY REDEVELOPMENT AUTHORITY
Combining Statements of Cash Flows
For the Year Ended December 31, 2011
(with Summarized Financial Information for 2010)

	NJRA	WINN	Total 2011	2010
Cash Flows from Operating Activities:				
Cash Disbursed to Borrowers	$ (41,394)	$ (55,129)	$ (96,523)	$ (2,479,625)
Cash Received from Borrowers	1,268,166	171,833	1,439,999	1,997,992
Cash Received from Loan Participant				7,110
Cash Disbursed for Goods & Services	(545,012)		(545,012)	(576,932)
Cash Disbursed for Personnel Costs	(1,272,899)		(1,272,899)	(1,290,226)
Cash Received for Management Fees	296,468		296,468	346,600
Cash Disbursed for Management Fees		(296,468)	(296,468)	(346,600)
Net Cash Used in Non-Capital Financing Activities	(294,671)	(179,764)	(474,435)	(2,341,681)
Cash Flows from Non Capital-Financing Activities:				
Cash Disbursed to Sub-recipients	(19,078)		(19,078)	(102,740)
Proceeds from Appropriations from the State	79,585		79,585	169,322
Net Cash Provided by Non-Capital Financing Activities	60,507		60,507	66,582
Cash Flows from Investing Activities:				
Purchase of Capital Assets	(21,448)		(21,448)	(39,700)
Investment Income	45,283	17,566	62,849	104,529
Net Cash Provided by Investing Activities	23,835	17,566	41,401	64,829
Net Decrease in Cash and Cash Equivalents	(210,329)	(162,198)	(372,527)	(2,210,270)
Cash and Cash Equivalents, Beginning of Year	15,886,815	6,423,271	22,310,086	24,520,356
Cash and Cash Equivalents, End of Year	$ 15,676,486	$ 6,261,073	$ 21,937,559	$ 22,310,086
Cash and Cash Equivalents Classified as:				
Current Assets	$ 1,205,239	$ 663,111	$ 1,868,350	$ 4,576,807
Restricted Assets	14,471,247	5,597,962	20,069,209	17,733,279
	$ 15,676,486	$ 6,261,073	$ 21,937,559	$ 22,310,086
Reconciliation of Operating Gain (Loss) to Net Cash Used In Operating Activities:				
Operating Gain (Loss)	$ (245,612)	$ (162,150)	$ (407,762)	$ 4,057,355
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used In Operating Activities:				
Depreciation	(19,529)		(19,529)	(13,439)
Provision for bad debts	824,000		824,000	
Purchase of Capital Assets	(21,448)		(21,448)	(39,700)
Changes in Assets and Liabilities:				
(Increase) Decrease in Notes Receivable, Net	585,981	23,520	609,501	(2,717,091)
(Increase) Decrease in Prepaid Expenses	(7,097)		(7,097)	185
(Decrease) in Interest Receivable			-	65,800
(Increase) in Accrued Interest Receivable	(1,383,180)	(41,134)	(1,424,314)	(3,627,199)
(Decrease) in Liabilities	(27,786)		(27,786)	(67,592)
Total Adjustments	(49,059)	(17,614)	(66,673)	(6,399,036)
Net Cash Used In Operating Activities	$ (294,671)	$ (179,764)	$ (474,435)	$ (2,341,681)

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

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 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 position, 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 – 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 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, 2011 and 2010, are as follows:

	2011		2010	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and Cash Equivalents:				
Authority	$15,676,486	$15,705,074	$15,886,815	$15,926,322
WINN	6,261,073	6,261,073	6,423,271	6,558,339
Total	$21,937,559	$21,966,147	$22,310,086	$22,484,661

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.

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, 2011 and 2010, notes receivable, net of allowances or participations, were as follows:

	2011	2010
Notes and Participations:		
Redevelopment Investment Fund Loans	$ 10,465,736	$ 10,797,947
Urban Site Acquisition Loans	23,101,253	23,499,134
WINN	2,130,691	2,154,449
Total Notes	35,697,680	36,451,530
Allowances and Guarantees:		
Redevelopment Investment Fund Loans	(991,615)	(994,936)
Urban Site Acquisition Loans	(5,741,309)	(5,882,098)
WINN	(21,307)	(21,545)
Notes Receivable, net	$ 28,943,449	$ $29,552,951

For the year ended December 31, 2011, the Authority recorded a provision for bad debts for $824,000 relating to accrued interest that is estimated to be uncollectible.

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	2010	Additions	2011
Furniture and Equipment	$ 523,024	$ 21,448	$ 544,472
Automobiles	64,566	-	64,566
Total Capital Assets	587,590	21,448	609,038
Accumulated Depreciation for :			
Furniture and Equipment	(510,852)	10,987	(521,839)
Automobiles	(24,714)	8,543	(33,257)
Total Accumulated Depreciation	(535,566)	19,531	(555,096)
Capital Assets, Net	$ 52,024	$ 1,917	$ 53,942

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, 2011 and 2010, respectively. As of December 31, 2011 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 2011 and 2010 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 2011 and 2010. As of December 31, 2011 and 2010, the unexpended balance for WFNJ and BDA was $264,690.

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 2011 and 2010 with $536.500 available for future projects.

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

	2011	2010
Due to Micro Credit	$ 151,014	$ 165,330
Due to WFNJ	198,000	198,000
Due to BDA	99,360	99,360
	$ 448,374	$ 462,690

Note 7 – Commitments and Contingencies

Loans, Grants and Investments
The Authority had $1,050,000 and $1,550,000, respectively, of commitments from its Redevelopment Investment Fund not yet closed at December 31, 2011 and 2010, and $4,567,500 and $317,500, respectively, of commitments from its Urban Site Acquisition Program at December 31, 2011 and 2010. As of December 31, 2011 and 2010, the Environmental Equity Program had no commitments.

There were $3,961,157 and $3,987,681 of closed loans not yet disbursed at December 31, 2011 and 2010, respectively.

Guarantee Program
The Authority had no exposure for existing loan guarantees at December 31, 2011 and 2010. 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 $587,911 and $586,342, respectively of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2011 and 2010.

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 2011.

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, 2011 under the lease are as follows:

2012	$ 155,450
2013	155,900
2014	90,942
	$ 402,292

For the years ended December 31, 2011 and 2010, rent expense totaled $247,789 and $246,267, respectively.

Note 8 – Restriction on Net Assets

The Authority had net assets totaling $6,784,855 and $6,279,169, respectively as of December 31, 2011 and 2010, available only for the revolving loan portion of the Urban Site Acquisition program. Additionally, during 2005, $9,934,818 of these loan funds were designated for the Environmental Equity Program. As of December 31, 2011, there was a balance of $1,470,818 available for the programs.

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.

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, 2011 and 2010, the Authority had net assets totaling $606,559 and $588,845, respectively, available only for the Restricted Community Reinvestment Fund under the terms of the Loan Sales Agreement.

There is also $1,991,640 and $1,784,951 available for the Pre-Development Fund (See Note 9), as of December 31, 2011 and 2010, respectively..

As of December 31, 2011 and 2010, there is $7,941,131 and $8,220,033 available to WINN to make loans for Redevelopment Projects in the Newark area. The Authority had $-0- and $365,000 of commitments from WINN at December 31, 2011 and 2010, 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, 2011 and 2010, 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, 2011 through the date of March 22, 2012, 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, 2011, and have issued our report thereon dated March 22, 2012. 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 22, 2012

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