NEW JERSEY REDEVELOPMENT AUTHORITY

Consolidated Financial Statements
December 31, 2014 and 2013

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

McEnerney, Brady & Co., LLC
Certified Public Accountants

NEW JERSEY REDEVELOPMENT AUTHORITY
(a component unit of the State of New Jersey)

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McENERNEY, BRADY & COMPANY, LLC
Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated statements of net position 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, 2014 and 2013, and the related consolidated statements of revenue, expenses and changes in net position and cash flows for the years then ended, which collectively comprise the Authority's basic financial statements, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the New Jersey Redevelopment Authority as of December 31, 2014 and 2013, and consolidated changes in financial position and consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

293 Eisenhower Parkway, Livingston, NJ 07039
(973) 535-2880

832 McLean Avenue, Yonkers, NY 10704
(914) 237-3676

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 - 6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015 on our consideration of the New Jersey Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Jersey Redevelopment Authority's internal control over financial reporting and compliance.

Mc Enerney, Brady, Company, LLC

Livingston, New Jersey
May 26, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014 AND 2013

Management of the New Jersey Redevelopment Authority (the "Authority") presents this narrative overview and financial analysis of the Authority's financial activities and performance for the years ended December 31, 2014 and 2013, which should be read in conjunction with the Authority's financial statements and accompanying notes.

Overview of the Financial Statements

This discussion and analysis is intended to present an overview of the Authority's financial performance for the years ended December 31, 2014 and 2013. The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This section is intended to provide an assessment of how the Authority's financial position has improved or deteriorated and identify factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for the financial statements included in this report.

The consolidated statement of net position provides information about the nature and amount of investments in resources (assets) and the obligations to Authority creditors (liabilities).

The consolidated statement of revenues, expenses and changes in net position, measures the Authority's operations for the periods presented.

The consolidated statement of cash flows provides information about the Authority's sources and uses of cash from operating, investing and financing activities.

The notes to consolidated financial statements provide information that is essential to understanding the Authority's basic financial statements, such as the Authority's accounting methods and policies, details of significant assets, liabilities, net position, contractual obligations, future commitments and contingencies, as well as other events or other matters that could impact the Authority's financial position.

The Authority's Business

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.

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.

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.

Financial Analysis of the Authority

In 2014, the Authority issued loans approximating $1.6 million under the Predevelopment Loan Fund established by the State of New Jersey Community Disaster Block Grant program to address damages to New Jersey's housing sector resulting from Superstorm Sandy. There were no loans issued in 2013. In response to the inability to close loans, the Authority created a Loan Review Committee in 2012, which is representative of the Authority's Board Members to restructure troubled loans and to focus its attention on loan workout and loan repayment. The Authority has been able to assist various borrowers in repayment of their obligations to the Authority, of which approximately $4.3 million was received in 2014 relating to 2013 and prior loans.

Condensed Summary of Net Position:

	December 31,		
Assets:	**2014**	**2013**	***2012**
Current assets	$ 7,378,821	$ 7,740,631	$ 4,713,887
Noncurrent assets	39,452,162	38,951,958	47,184,070
Capital assets	12,940	35,565	59,976
	$ 46,830,983	$ 46,718,154	$ 51,957,933
Liabilities:			
Current liabilities	$ 364,753	$ 414,631	$ 444,017
Noncurrent liabilities	1,612,651	-	-
	$ 1,977,404	$ 414,631	$ 444,017
Net position:			
Net invested in capital assets	$ 12,940	$ 35,565	$ 59,976
Assigned	17,002,201	13,603,674	11,419,360
Unassigned	27,838,438	32,664,284	40,034,580
	$ 44,853,579	$ 46,303,523	$ 51,513,916

* reclassification made to current and noncurrent portions of notes and interest receivable

2014 - 2013

The Authority's total net position is approximated at $44.9 million and $46.3 million as of December 31, 2014 and 2013, respectively, representing a decrease of $1.4 million or 3.1% compared to 2013. The significant factors causing this decrease were a result of a decrease in revenue, additional provision for uncollectible notes, with operating costs similar to prior year.

Current assets decreased approximately $.352 million or 4.55%, noncurrent assets increased approximately $2.7 million or 7.0% and current liabilities did not change from 2013.

2013 - 2012

The Authority's total net position is approximated at $46.3 million and $51.5 million as of December 31, 2013 and 2012, respectively, representing a decrease of $5.2 million or 10.1% compared to 2012. The significant factors causing this decrease were a result of reserves placed against loans and accrued interest that management estimated to be uncollectible, which approximated $5 million for 2013.

Current assets increased approximately $3 million or 63.2%, noncurrent assets decreased approximately $8.1 million or 17.37% and current liabilities decreased approximately $29,000 or 6.62% from 2012.

Condensed Summary of Consolidated Revenues, Expenses and Changes in Net Position:

	Year Ended December 31,		
	2014	**2013**	**2012**
Operating revenues	$ 1,178,319	$ 1,230,606	$ 1,337,472
Operating expenses:			
General and administrative	1,697,828	1,477,702	1,698,560
Provision for losses	969,998	5,000,355	6,501,494
	2,667,826	6,478,057	8,200,054
Operating loss	(1,489,507)	(5,247,451)	(6,862,582)
Investment income	39,563	37,058	36,950
Decrease in net position	(1,449,944)	(5,210,393)	(6,825,632)
Net position, beginning of year	46,303,523	51,513,916	58,339,548
Net position, end of year	$ 44,853,579	$ 46,303,523	$ 51,513,916

2014 - 2013

For the years ended December 31, 2014 and 2013, total operating revenues approximated $1.18 million and $1.23 million respectively, a decrease of approximately $52,000 or 4.25% and operating expenses were $2.7 million and $6.5 million, respectively, a decrease of approximately $3.8 million or 59% compared to 2013. In August 2014, the Authority, in conjunction with a participation loan agreement to the New Jersey Economic Development Authority ("NJEDA"), reached an agreement with the NJEDA to repay the Authority the original principal loan amount of $3 million. As part of the agreement, the Authority agreed to forgive accrued interest on the loan, which approximated $2.6 million. The Authority recorded a provision for loss for this amount in 2013.

2013 - 2012

For the years ended December 31, 2013 and 2012, total operating revenues were $1,230,606 and $1,337,472, respectively, a decrease of approximately $107,000 or 8% and operating expenses were $6,478,057 and $8,200,054, respectively, a decrease of approximately $1.7 million or 21% compared to 2012. In August 2014, the Authority, in conjunction with a participation loan agreement to the New Jersey Economic Development Authority ("NJEDA"), reached an agreement with the NJEDA to repay the Authority the original principal loan amount of $3 million. As part of the agreement, the Authority agreed to forgive accrued interest on the loan, which approximated $2.6 million. The Authority recorded a provision for loss for this amount in 2013.

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 Position. Although not mandated to do so, allowances for doubtful notes and guarantee payments are determined in accordance with guidelines established by the Office of the Comptroller of the Currency. The Authority accounts for its potential loss exposure through the use of risk ratings. Each risk rating is assigned a specific loss factor in accordance with the severity of the classification. All loans and guarantees are assigned a specific risk rating. The assigned risk ratings are continuously updated to account for changes in the financial condition of the borrower or guarantor, payment history, loan covenant, violations and changing economic conditions.

Notes Receivable and Allowances:

	December 31,		
	2014	**2013**	**2012**
Gross Receivable:			
Urban Site Acquisition	$ 15,040,078	$ 18,363,829	$ 19,937,392
Redevelopment Investment Fund	7,656,187	7,704,882	8,233,962
New Jersey Pre-Development Fund	329,097	329,097	329,097
Environmental Equity Program	3,800,000	3,800,000	3,800,000
Predevelopment Loan Fund – CDBG	1,620,953	-	-
Working in Newark's Neighborhoods	779,142	1,856,892	2,090,335
	29,225,457	32,054,700	34,390,786
Allowance/Reserve:			
Urban Site Acquisition	7,014,299	6,822,538	6,111,337
Redevelopment Investment Fund	1,561,562	1,562,048	82,340
New Jersey Pre-Development Fund	288,654	124,915	124,915
Environmental Equity Program	3,800,000	3,800,000	3,800,000
Predevelopment Loan Fund – CDBG	16,210	-	-
Working in Newark's Neighborhoods	779,142	695,094	697,429
	13,459,867	13,004,595	10,816,021
Net	$ 15,765,590	$ 19,050,105	$ 23,574,765
Collections for the years ended:			
Urban Site Acquisition	$ 3,442,539	$ 1,426,827	$ 873,552
Redevelopment Investment Fund	48,631	238,988	314,654
New Jersey Pre-Development Fund	-	58,472	250,000
Environmental Equity Program	-	378,688	2,000,000
Working in Newark's Neighborhoods	1,077,750	233,443	40,336
	$ 4,520,289	$ 2,336,418	$ 3,478,562

The Environmental Equity Program was closed in 2012.

The allowances are 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
(a component unit of the State of New Jersey)
Consolidated Statements of Net Position
December 31, 2014 and 2013

ASSETS

	NJRA	WINN	Consolidated 2014	Consolidated 2013
Current Assets:				
Cash and cash equivalents	$ 3,986,584	$ 1,067,777	$ 5,054,361	$ 2,063,037
Notes receivable	2,250,000	-	2,250,000	4,506,621
Interest receivable - notes	-	-	-	1,090,867
Prepaid expenses	18,877	-	18,877	14,674
Due from DCA	55,583	-	55,583	55,432
Total Current Assets	6,311,044	1,067,777	7,378,821	7,730,631
Noncurrent Assets:				
Restricted cash	16,604,514	5,941,071	22,545,585	22,222,342
Notes receivable, net of current portion	13,515,590	-	13,515,590	14,543,484
Interest receivable, net of current portion	3,378,047	-	3,378,047	2,186,132
Capital assets	12,940	-	12,940	35,565
Total Assets	$ 39,822,135	$ 7,008,848	$ 46,830,983	$ 46,718,154

LIABILITIES AND NET POSITION

	NJRA	WINN	Consolidated 2014	Consolidated 2013
Current Liabilities:				
Accounts payable and accrued expenses	$ 47,539	$ -	$ 47,539	$ 98,323
Due to subrecipients	317,214	-	317,214	316,308
Total Current Liabilities	364,753	-	364,753	414,631
Due to Department of Community Affairs	1,612,651	-	1,612,651	-
Total Liabilities	1,977,404	-	1,977,404	414,631
Net Position:				
Net investment in capital assets	12,940	-	12,940	35,565
Assigned	16,281,731	720,470	17,002,201	13,603,674
Unassigned	21,550,060	6,288,378	27,838,438	32,664,284
Total Net Position	37,844,731	7,008,848	44,853,579	46,303,523
Total Liabilities and Net Position	$ 39,822,135	$ 7,008,848	$ 46,830,983	$ 46,718,154

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

NEW JERSEY REDEVELOPMENT AUTHORITY
(a component unit of the State of New Jersey)
Consolidated Statements of Revenues, Expenses and Changes in Net Position
Years ended December 31, 2014 and 2013

	NJRA	WINN	Eliminations	Consolidated 2014	Consolidated 2013
Operating Revenues:					
Interest income - notes receivable	$ 952,249	$ 24,967	$ -	$ 977,216	$ 1,133,597
Fee income	292,037	400	(257,188)	35,249	21,957
Other	165,076	778	-	165,854	75,052
Total operating revenues	1,409,362	26,145	(257,188)	1,178,319	1,230,606
Operating Expenses:					
Salaries and benefits	904,576	-	-	904,576	994,346
Management fee	-	257,188	(257,188)	-	-
General and administrative	287,894	-	-	287,894	215,856
Rent	217,921	-	-	217,921	243,089
Depreciation	22,625	-	-	22,625	24,411
Tax lien payment	264,812	-	-	264,812	-
Provision (recovery) for bad debts - principal	1,077,054	104,702	-	1,181,756	2,006,748
Provision for bad debts - interest	(211,758)	-	-	(211,758)	2,993,607
Total Operating Expenses	2,563,124	361,890	(257,188)	2,667,826	6,478,057
Operating loss	(1,153,762)	(335,745)	-	(1,489,507)	(5,247,451)
Nonoperating Revenues:					
Interest income - investments	28,970	10,593	-	39,563	37,058
Decrease in net position	(1,124,792)	(325,152)	-	(1,449,944)	(5,210,393)
Net position - beginning of year	38,969,523	7,334,000	-	46,303,523	51,513,916
Net position - end of year	$ 37,844,731	$ 7,008,848	$ -	$ 44,853,579	$ 46,303,523

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

NEW JERSEY REDEVELOPMENT AUTHORITY
(a component unit of the State of New Jersey)
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	NJRA	WINN	Eliminations	Consolidated 2014	Consolidated 2013
Cash Flows from Operating Activities:					
Cash disbursed to borrowers	$ (1,691,110)	$ -	$ -	$ (1,691,110)	$ -
Cash received from borrowers	3,696,360	1,102,595	-	4,798,955	3,074,308
Cash received from other sources	165,076	1,205		166,281	-
Cash disbursed for goods and services	(821,411)	-	-	(821,411)	(477,487)
Cash disbursed for personnel costs	(904,576)	-	-	(904,576)	(994,346)
Cash received for management fees	292,037		(257,188)	34,849	266,340
Cash disbursed for management fees	-	(257,188)	257,188	-	(266,340)
Net cash provided by operating activities	736,376	846,612	-	1,582,988	1,602,475
Cash Flows from Non Capital-Financing Activities:					
(Increase) decrease in due to subrecipients	906	-	-	906	(10,844)
Proceeds from Department of Community Affairs	1,691,110	-	-	1,691,110	-
Net cash used in non-capital financing activities	1,692,016	-	-	1,692,016	(10,844)
Cash Flows from Investing Activities:					
Investment Income	28,970	10,593	-	39,563	37,058
Net cash provided by investing activities	28,970	10,593	-	39,563	37,058
Net increase in cash and cash equivalents	2,457,362	857,205	-	3,314,567	1,628,689
Cash and cash equivalents, beginning of year	18,133,736	6,151,643	-	24,285,379	22,656,690
Cash and cash equivalents, end of year	$ 20,591,098	$ 7,008,848	$ -	$ 27,599,946	$ 24,285,379
Cash and cash equivalents classified as:					
Current assets	$ 3,986,584	$ 1,067,777	$ -	$ 5,054,361	$ 2,063,037
Restricted assets	16,604,514	5,941,071	-	22,545,585	22,222,342
	$ 20,591,098	$ 7,008,848	$ -	$ 27,599,946	$ 24,285,379
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:					
Operating loss	$ (1,153,762)	$ (335,745)	$ -	$ (1,489,507)	$ (5,247,451)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation	22,625	-	-	22,625	24,411
Provision for bad debts	865,296	104,702	-	969,998	5,000,355
Changes in operating assets and liabilities:					
Notes receivable	1,751,429	1,057,096	-	2,808,525	2,528,755
Interest receivable	(694,979)	20,559	-	(674,420)	(619,685)
Prepaid expenses	(4,203)	-	-	(4,203)	908
Due from DCA	(151)	-	-	(151)	(55,432)
Accounts payable and accrued expenses	(50,784)	-	-	(50,784)	(18,542)
Due to subrecipients	906	-	-	906	(10,844)
Total adjustments	1,890,139	1,182,357	-	3,072,496	6,849,926
Net cash provided by operating activities	$ 736,377	$ 846,612	$ -	$ 1,582,989	$ 1,602,475

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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, and its financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

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 consolidated financial statements include WINN as a discretely-presented component unit of the Authority.

2. Summary of Significant Accounting Policies

Basis of Presentation
The Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues and expenses are accounted for as an enterprise fund with revenues recorded when earned and expenses recorded at the time the liabilities are incurred.

The Authority follow the pronouncements of the GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30, 1989 FASB and AICPA Pronouncements,* which requires the Authority to follow the pronouncements of the GASB in its accounting and financial reporting. GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Funds Accounting.* In addition, the Authority has elected to apply ASC 310-10, *Receivables*, previously known as SFAS No. 114, *Accounting by Creditors for Impairment of a Loan.*

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

Principles of Consolidation
The consolidated financial statements include the accounts of the Authority and WINN, collectively, the "Authority". All significant intercompany transactions and balances have been eliminated in consolidation.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year's presentation. The reclassifications related to current and noncurrent portions of loans receivable.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combining financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. The allowance for doubtful accounts (net realizable value of loans and interest receivable) and accounts payable and accrued expenses, among other accounts, require the significant use of estimates. Actual results could differ from those estimates.

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

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

Allowance for Doubtful Notes and Guarantee Losses
Allowances for doubtful notes and guarantee losses are determined in accordance with ASC 310-10, *Receivables*, previously known as SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*, and guidelines established by the Office of Comptroller of Currency, which include classifications based on routine reviews of various factors such as loan documentation, repayment history, underlying collateral value, site visits and meetings with the borrowers and ability to repay, all of which impact collectibility. Receivables are recorded at the net realizable value and do not bear interest. The allowance for doubtful accounts is the Authority's best estimate of the amount of probable credit losses in existing receivables. The Authority reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. As of December 31, 2014 and 2013, the allowance for doubtful notes and guarantee losses approximated $13,460,000 and $13,005,000, respectively.

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.

Restricted cash represents amounts maintained by the Authority for specific programs and available for funding purposes.

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, 2014 and 2013, are as follows:

	2014		2013	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Cash and Cash Equivalents:				
Authority	$20,591,098	$20,690,965	$18,133,735	$18,080,379
WINN	7,008,848	7,008,848	6,151,644	6,151,644
Total	$27,599,946	$27,699,813	$24,285,379	$24,232,022

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 for each account. 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.

Financial Instruments
The carrying values of the Authority's financial instruments as of December 31, 2014 and 2013 include cash and cash equivalents, notes receivable, due to sub-recipients and accounts payable and accrued expenses and approximate their fair value due to the relatively short maturity of these instruments.

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.

Risks and Uncertainties
The Authority provides loans to organizations that may have difficulty in obtaining funding through conventional financing sources, as well as funding projects that are speculative in nature related to geographical and historical financial development. These loans are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain loans, it is at least reasonably possible that changes in the values and repayment of these loans will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combining financial statements.

Recent Accounting Pronouncements
In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement were effective for financial statements for periods beginning after December 15, 2012. This statement has no effect on the Authority's financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012* ("GASB 66"). The objective of this Statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements – Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement were effective for financial statements for periods beginning after December 15, 2012. This statement has no effect on the Authority's financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension* Plans ("GASB 67") and Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The objective of these Statements is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. The provisions of these Statements are effective for financial statements for periods beginning after June 15, 2013 and June 15, 2014, respectively. The Authority has not completed the process of evaluating the impact of GASB 67 and GASB 68 on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement has no effect on the Authority's financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. The Authority has not completed the process of evaluating the impact of GASB 70 on its financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in GASB 68, concerning transition provisions related to certain pension contributions made to defined pension plans prior to implementation of that Statement made by employers and nonemployer contributing entities. The Authority has not completed the process of evaluating the impact of GASB 71 on its financial statements.

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 2034. At December 31, 2014 and 2013, notes receivable, net of allowances or participations, were as follows:

	2014	2013
Notes and Participations:		
Urban Site Acquisition loans	$ 15,040,078	$ 18,363,829
Redevelopment Investment Fund	7,656,187	7,704,882
New Jersey Pre-Development Fund	329,097	329,097
Environmental Equity Program	3,800,000	3,800,000
Predevelopment Loan Fund – CDBG	1,620,953	-
Working in Newark's Neighborhoods	779,142	1,856,892
	29,225,457	32,054,700
Less Allowances and Guarantees:		
Urban Site Acquisition loans	7,014,299	6,822,538
Redevelopment Investment Fund	1,561,562	1,562,048
New Jersey Pre-Development Fund	288,654	124,915
Environmental Equity Program	3,800,000	3,800,000
Predevelopment Loan Fund – CDBG	16,210	-
Working in Newark's Neighborhoods	779,142	695,094
	13,459,867	13,004,595
Notes Receivable, net	$ 15,765,591	$ 19,050,105

For the years ended December 31, 2014 and 2013, the Authority recorded a provision (recovery) for bad debts approximating $1,182,000 and $2,007,000, respectively, for non-performing loans and $(212,000) and $2,994,000, respectively, related to accrued interest that is estimated to be uncollectible.

The maturity dates for notes receivable for future years subsequent to December 31, 2014 are as follows:

Current	$ 2,250,000
2-5 years	11,835,555
6-10 years	1,379,679
11-15 years	2,475,572
16-20 years	11,284,651*
	29,225,457
Less allowances	13,459,866
	15,765,590
Less current portion	2,250,000
Noncurrent portion	$ 13,515,590

* included in 16-20 years are loans approximating $8.9 million that have matured and are delinquent.

Concentration

At December 31, 2014 and 2013, there are 3 borrowers' loans that represent approximately 52% and 38%, respectively, of outstanding loans.

4. Capital Assets

Capital assets at December 31, 2014 and 2013 consist of the following:

	2014	2013
Automobiles	$ 64,566	$ 64,566
Computers and equipment	565,159	565,159
	629,725	629,725
Less: accumulated depreciation	616,785	594,160
	$ 12,940	$ 35,565

For the years ended December 31, 2014 and 2013, depreciation expense approximated $23,000 and $24,000, respectively.

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, 2014 and 2013, respectively. As of December 31, 2014 the investment has not been returned and its repayment is doubtful.

6. Due to Subrecipients

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 since inception. As of December 31, 2014 and 2013, the unexpended balance for WFNJ and BDA was $202,192 and $101,442, respectively.

The New Jersey Women's Micro-Business Credit Program is a collaborative economic development program implemented during 2006 by DCA's Division on Women and NJRA, a DCA affiliate. The program helps women with minimal business experience become successful entrepreneurs. This program started with $712,500 from the State of New Jersey and funded projects totaling $121,222 during 2012. There was no activity through this program in 2014 or 2013.

A summary of the amounts due to subrecipients from the above funding resources at December 31, 2014 and 2013 consists of the following:

	2014	2013
Due to Micro Credit	$ 19,854	$ 18,948
Due to WFNJ	198,000	198,000
Due to BDA	99,360	99,360
	$ 317,214	$ 316,308

7. Commitments and Contingencies

Loan Commitments
The following loan commitments are outstanding as of December 31, 2014 and 2013:

	2014	2013
Urban Site Acquisition	$ 1,500,000	$ 1,500,000
Redevelopment Investment Fund	2,970,000	2,970,000
	$ 4,470,000	$ 4,470,000

Guarantee Program
The Authority had no exposure for existing loan guarantees at December 31, 2014 and 2013. 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 $590,624 and $589,746, respectively of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2014 and 2013.

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

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

State of New Jersey Department of Community Affairs
In July 2013, the Authority and the DCA entered into a subrecipient agreement to fund programs through the U.S. Department of Housing and Urban Development Community Development Block Grant Program. The Authority's responsibilities under this program is to administer certain affordable housing predevelopment activities throughout the State of New Jersey.

The maximum amount allocated to the Authority is $10,000,000 and expires in July 2015. As of the date of this report, seven loans totaling $3.42 million have been closed and approximately $1.6 million has been disbursed.

Operating Lease
The Authority entered into a lease for its administrative office space, which expires in August 2019. 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 is also required to pay a pro-rata share of the landlord's operating expenses as additional rent.

Future minimum lease payments subsequent to December 31, 2014 are as follows:

2015	$ 174,000
2016	174,000
2017	176,500
2018	180,000
2019	105,000
	$ 809,000

For the years ended December 31, 2014 and 2013, rent expense approximated to $139,000.

8. Restriction on Net Position

The Authority's restricted net position as of December 31, 2014 and 2013 is as follows:

	2014	2013
Urban Site Acquisition	$ 12,555,722	$ 9,231,971
Redevelopment Investment Fund	1,484,369	1,435,738
New Jersey Pre-Development Fund	2,241,640	2,241,640
Working in Newark's Neighborhoods	720,470	694,325
	$ 17,002,201	$ 13,603,674

Fund Balances
The Authority has established a policy of classifying fund balances in accordance with GASB No. 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.

Cash held in restricted bank accounts at December 31, 2014 and 2013 consist of the following

	2014	2013
Urban Site Acquisition loans	$ 8,291,237	$ 8,293,332
Redevelopment Investment Fund	8,313,277	8,785,244
Environmental Equity Program Guarantee account	590,624	589,746
Work First New Jersey Entrepreneur Development Pilot Program	198,119	202,254
Work First Business Development	99,398	101,462
New Jersey Women's Micro-Business Credit Program	19,551	18,645
	$ 17,512,206	$ 17,990,683

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.

9. Pre-Development Loan Fund

In June 2005, the Pre-Development Loan 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. As of December 31, 2014 and 2013, there was $329,097 in outstanding loans under this program.

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.

For the years ended December 31, 2014 and 2013, the Authority's required contribution approximated $88,000 and $103,000, respectively.

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 No. 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.

12. Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2014 through the date of May 26, 2015, 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 Directors
New Jersey Redevelopment Authority
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Jersey redevelopment Authority (the "Authority"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 26, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

293 Eisenhower Parkway, Livingston, NJ 07039
(973) 535-2880

832 McLean Avenue, Yonkers, NY 10704
(914) 237-3676

Restriction of Use

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McEnerney, Brady & Company, LLC

Livingston, New Jersey
May 26, 2015