NEW JERSEY REDEVELOPMENT AUTHORITY

(A Component Unit of the State of New Jersey)

Financial Statements and Supplementary Information

December 31, 2019 and 2018

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Table of Contents

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
New Jersey Redevelopment Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Redevelopment Authority ("the Authority") a component unit of the State of New Jersey, as of December 31, 2019 and 2018 and for the years then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the New Jersey Redevelopment Authority as of December 31, 2019 and 2018, and changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Subsequent Event

As discussed in Note 2 to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of the Coronavirus disease 2019 ("COVID-19"). Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that management's discussion and analysis on pages 3-6 and schedules related to accounting and reporting for pensions and other postemployment benefits on pages 33-36 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 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 September 21, 2020 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 grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

September 25, 2020
Cranford, New Jersey

New Jersey Redevelopment Authority

(A component unit of the State of New Jersey)

Management's Discussion and Analysis
December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018. 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 statement of net position provides information about the nature and amount of investments in resources (assets) and the obligations to Authority creditors (liabilities).

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

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

The notes to 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.

Financial Analysis of the Authority

Note: The Authority restated operations for 2019, 2018 and 2017, when adopting GASB No. 75.

Condensed Summary of Net Position:

	2019	2018	2017 (Restated)
Current assets	$ 1,328,009	$ 1,428,961	$ 1,330,872
Non-current assets	37,043,762	36,279,965	38,486,594
Capital assets	43,246	74,649	33,029
Total assets	$ 38,415,017	$ 37,783,575	$ 39,850,495
Deferred outflows of resources	$ 787,251	$ 1,303,069	$ 1,837,261
Current liabilities	$ 551,725	$ 765,538	$ 775,459
Non-current liabilities	4,454,589	5,231,729	6,735,181
Total liabilities	$ 5,006,314	$ 5,997,267	$ 7,510,640
Deferred inflows of resources	$ 2,614,386	$ 2,365,220	$ 1,466,864
Net investment in capital assets	$ 43,246	$ 74,649	$ 33,029
Restricted	18,233,078	20,338,238	19,589,280
Unrestricted	13,305,244	10,311,270	13,087,943
Total net position	$ 31,581,568	$ 30,724,157	$ 32,710,252

2018-2019

In 2019, the Authority received three (3) WINN applications in the total amount of $4,000,000 for predevelopment and permanent financing costs for a 33 story residential project in Newark located at 760-781 McCarter Highway, a 7000 square foot restaurant and training facility in Newark located at 304-306 Lyon Avenue, and a speakeasy style restaurant in Newark located at 11 Clinton Street. These loan applications are in the process of being underwritten for approval in 2020.

2017 – 2018

In 2018, the Authority issued $1.8 of loans for the Urban Site Acquisition (USA) program and the Working in Newark's Neighborhood program (WINN). The Authority was a partial investor in a mixed-use project located at 311 Martin Luther King Blvd., Jersey City that comprised of 5,000 square feet of commercial space and 10 units of affordable housing. In addition, WINN provided the acquisition and predevelopment costs of a project located at 455 South 18th Street, Newark.

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

	2019	2018	2017 (Restated)
Operating revenues	$ 1,384,055	$ 752,285	$ 785,723
Operating expenses	1,858,551	2,946,663	2,784,705
Loss from operations	(474,496)	(2,194,378)	(1,998,982)
Non-operating revenue	1,331,907	208,283	1,346,236
Change in net position	857,411	(1,986,095)	(652,746)
Implementation of GASB 75			
Net position, beginning of year	30,724,157	32,710,252	33,362,998
Net position, end of year	$ 31,581,568	$ 30,724,157	$ 32,710,252

2018 – 2019

The Authority has experienced an approximately $857,000 increase in net position during 2019. A majority of this increase is due to a re-assessment of the collectability of notes receivable, which increased the loan recovery revenue in 2019. Additionally, in 2019 the Authority has reduced its operating expenses and will work towards continuing to reduce operating expenses in the future.

2017 – 2018

The Authority has continued its collection efforts on defaulted loans during 2018. As a result, the Authority expects to receive $1.5 million in 2019 from loans that were written off. In addition, the Authority renegotiated and reduced the cost of its office lease and will work towards reducing its operating expenses.

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 Statement of Net Position 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.

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)

Statements of Net Position

	December 31, 2019	December 31, 2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 194,405	$ 377,318
Notes receivable, net of allowance of $557,506 and $1,363,049, respectively	1,111,779	1,029,570
Prepaid expenses and other current assets	21,825	22,073
Total Current Assets	1,328,009	1,428,961
Non-Current Assets		
Unrestricted cash	5,400,626	4,680,388
Restricted cash	18,233,078	20,338,238
Notes receivable, net of current portion	13,300,352	9,348,854
Interest receivable	107,706	1,910,485
New Market Tax Credit	2,000	2,000
Capital Assets	43,246	74,649
Total Non-Current Assets	37,087,008	36,354,614
Total Assets	38,415,017	37,783,575
Deferred Outflows of Resources		
Deferred Amount on Net Pension Liability	786,054	1,302,110
Deferred Amount on OPEB Liability	1,197	959
Total Deferred Outflows of Resources	$ 787,251	$ 1,303,069
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued expenses	$ 254,365	$ 468,178
Due to subrecipients	297,360	297,360
Total Current Liabilities	551,725	765,538
Long-Term Liabilities		
Compensated absences	55,901	38,369
Due to Department of Community Affairs	337,225	345,673
Net OPEB liability	1,453,493	1,815,291
Net pension liability	2,607,970	3,032,396
Total Long-Term Liabilities	4,454,589	5,231,729
Total Liabilities	5,006,314	5,997,267
Deferred Inflows of Resources		
Deferred Amount on Net Pension Liability	1,188,232	1,163,823
Deferred Amount on OPEB Liability	1,426,154	1,201,397
Total Deferred Inflows of Resources	2,614,386	2,365,220
Net Position		
Net investment in capital assets	43,246	74,649
Restricted	18,233,078	20,338,238
Unrestricted	13,305,244	10,311,270
Total Net Position	$ 31,581,568	$ 30,724,157

See notes to financial statements

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Statements of Revenues, Expenses and Changes in Net Position

	December 31, 2019	December 31, 2018
OPERATING REVENUES		
Interest income on notes receivable	$ 774,652	$ 601,946
Fee income	107,161	125,492
Other	502,242	24,847
Total Operating Revenues	1,384,055	752,285
EXPENSES		
Salaries and benefits	1,278,890	1,602,146
General and administrative	343,348	396,353
Rent	204,909	193,560
Depreciation	31,404	32,128
Provision for losses on loans	-	722,476
Total Expenses	1,858,551	2,946,663
Loss from Operations	(474,496)	(2,194,378)
NON-OPERATING REVENUES		
Recovery of loans	1,100,770	18,887
Interest income on cash	231,137	189,396
Total Non-Operating Revenues	1,331,907	208,283
Change in Net Position	857,411	(1,986,095)
NET POSITION		
Beginning of year	30,724,157	32,710,252
End of year	$ 31,581,568	$ 30,724,157

See notes to financial statements

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Statements of Cash Flows

	December 31, 2019	December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash disbursed to borrowers	$ (1,831,250)	$ (1,048,999)
Cash received from borrowers	482,134	3,093,134
Cash received from other sources	502,242	150,339
Cash disbursed for goods and services	(744,290)	(599,834)
Cash disbursed for personnel costs	(1,300,130)	(1,467,332)
Net Cash From Operating Activities	(2,891,294)	127,308
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	-	(73,748)
Net Cash From Capital Financing Activities	-	(73,748)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payments to Department of Community Affairs	(8,448)	(211,231)
Net Cash From Non-Capital Financing Activities	(8,448)	(211,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Recovery of loans	1,100,770	18,887
Interest income on cash	231,137	189,396
Net Cash From Investing Activities	1,331,907	208,283
Net Change in Cash and Cash Equivalents	(1,567,835)	50,612
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	25,395,944	25,345,332
End of year	$ 23,828,109	$ 25,395,944
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Unrestricted current cash and cash equivalents	$ 194,405	$ 377,318
Unrestricted non-current cash and cash equivalents	5,400,626	4,680,388
Restricted non-current cash	18,233,078	20,338,238
	$ 23,828,109	$ 25,395,944
CASH FLOWS FROM OPERATING ACTIVITIES AND		
Loss from operations	$ (474,496)	$ (2,194,378)
Adjustments to reconcile loss from operations to net cash from operating activities:		
Depreciation	31,404	32,128
Provision for losses on loans	-	722,476
Changes in operating assets and liabilities:		
Notes receivable	(4,033,956)	1,219,341
Prepaid expenses and other current assets	248	1,830
Deferred outflows of resources	515,818	534,192
Interest receivable	1,803,027	215,505
Accounts payable and compensated absences	(196,281)	(7,885)
Net pension liability	(361,798)	(579,828)
Net OPEB liability	(424,426)	(714,429)
Deferred inflows of resources	249,166	898,356
	(2,416,798)	2,321,686
Net Cash From Operating Activities	$ (2,891,294)	$ 127,308

See notes to financial statements

1. Organization and Purpose

The New Jersey Redevelopment Authority (the “Authority” or “NJRA”) 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 for the purpose of funding eligible projects and the commencement of operations. Pursuant to the Act, the Authority also assumed the assets, liabilities and equity 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 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 to an independent authority and 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 as defined by the Governmental Accounting Standards Board, and its financial statements are included in the State’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 financial statements include WINN as part of the Authority as a blended component unit.

New Markets Tax Credit Allocation

Legislated in 2000 as a catalyst to encourage the investment of private capital in designated low-income communities, the New Markets Tax Credit (“NMTC”) program through the U.S. Department of Treasury, fosters the construction and rehabilitation of real estate and the expansion of operating businesses in order to create jobs, generate economic activity and improve the quality of services in low-income communities and to low-income persons.

NMTC’s are intended to support business growth, job creation and spur economic development in underserved communities across the country. Typical projects involve the acquisition, rehabilitation or construction of real estate or the expansion of operating businesses in low- income communities.

1. Organization and Purpose *(continued)*

New Markets Tax Credit Allocation *(continued)*

These can include commercial offices and retail services/products, mixed-use (commercial/residential) properties, community centers, educational facilities, entertainment/cultural facilities, health-related facilities, as well as businesses that buy, develop, build, rehabilitate or sell residential property and small business loan funds. Projects often focus on creating quality jobs in low-income communities, assisting minority, women-owned and low-income community businesses offering flexible lease rates to tenant businesses, providing goods and services and housing options in low-income communities, improving access to healthy and affordable food options, increasing environmental sustainability and pioneering developments that will catalyze additional private investments in the community.

In order to finance underlying businesses and developments, a for-profit organization partners with certified Community Development Entities ("CDE's"), which are organizations that have primary missions of providing investment capital for, and other financial services to, qualified businesses in the low-income communities that the CDE serves. CDE's apply to the Community Development Financial Institutions Fund ("CDFI Fund"), a division of the U.S. Department of the Treasury, in a competitive application process for NMTC Allocation Authority. This Authority allows successful CDE's to raise investment capital from private investors in exchange for the rights to claim tax credits over a seven year compliance period (5 percent of the aggregate qualified investment for three years and 6 percent for the remaining four years). Capital raised by the CDE's is then used to provide below-market financing to qualified businesses in low-income communities.

There are two $10 million projects that the Authority was involved in and to facilitate the NMTC transaction, the Authority is the managing member of a CDE in each of the transactions, which required $1,000 investments for a .01% interest.

2. Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principals generally accepted in the United States of America ("US GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and reporting principles.

US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

2. Significant Accounting Policies *(continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Allowance for Doubtful Notes and Guarantee Losses

Allowances for doubtful notes and guarantee losses ("allowances") are determined 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 collectability. Receivables are recorded at the amount per loan agreement and bear interest in accordance with that agreement less an allowance. The allowance is the Authority's best estimate of the amount of probable credit losses in existing receivables. The Authority reviews its allowance periodically. Past due balances are reviewed individually for collectability. As of December 31, 2019 and 2018, the allowance approximated $534,000 and $1,363,000.

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments with maturities 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 and Custodial Credit Risks

Cash and cash equivalents as of December 31, 2019 and 2018, are as follows:

	2019		2018	
	Book Balance	Bank Balance	Book Balance	Bank Balance
NJRA	$ 20,527,648	$ 20,537,476	$ 22,396,232	$ 22,400,408
WINN	3,300,461	3,300,461	2,999,712	3,009,556
	$ 23,828,109	$ 23,837,937	$ 25,395,944	$ 25,409,964

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. Cash exposed to risk is $23,587,937 and $25,159,964 for 2019 and 2018, respectively.

Custodial Credit Risk, with respect to deposits, is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority believes that due to the dollar amounts of each cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

Concentration of Risk – There is no limit on the amount the Authority may invest in any one issuer.

2. Significant Accounting Policies *(continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position *(continued)*

Non current cash at December 31, 2019 and 2018 consists of the following:

	2019	2018
Urban Site Acquisition	$ 10,313,876	$ 10,079,589
Redevelopment Investment Fund	9,813,366	11,213,440
Predevelopment Loan Fund - Sandy	-	11,800
Guarantee Account	-	599,415
WFNJ Entreprener Development	200,291	198,979
WFBD	99,975	99,644
Working in Newark's Neighborhoods	3,206,196	2,815,759
	$ 23,633,704	$ 25,018,626
Restricted Cash	(18,233,078)	(20,338,238)
Unrestricted Cash	$ 5,400,626	$ 4,680,388

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.

Taxes

The Authority is exempt from all Federal and State income taxes and real estate taxes.

Financial Instruments

The carrying values of the Authority’s financial instruments as of December 31, 2019 and 2018 include cash and cash equivalents and notes receivable 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.

2. Significant Accounting Policies *(continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position *(continued)*

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority reports deferred outflows of resources and deferred inflows of resources in relation to its pension and OPEB obligations. These amounts are detailed in the discussion of the Authority's pension plans and OPEB in Notes 10 and 11.

Compensated Absences

Vested or accumulated vacation or compensatory time is recorded as an expense and liability of the Authority as the benefit accrues to employees.

Net Pension Liability

The net pension liability represents the Authority's proportionate share of the net pension liability of the State of New Jersey Public Employees' Retirement System.

Accrued Postemployment Health Benefits Liability

The accrued postemployment health benefits liability represents the Authority's proportionate share of the accrued postemployment health benefits liability of the State of New Jersey State Health Benefits Local Government Retired Employees Plan.

Net Position

Net position represents the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources in the financial statements of the Authority. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations on their use through external restrictions imposed by laws and regulation of other governments.

Revenue Recognition

The Authority charges various financing fees which 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

2. Significant Accounting Policies *(continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position *(continued)*

ranging from 4% to 8%. Interest is compounded annually and payable in accordance with provisions of the respective note agreement. Management periodically reviews collectability and will record a reserve based on an estimate of amounts deemed uncollectible.

Recent Accounting Standards

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority has not yet completed the process of evaluating the impact of GASB 87 on its financial statements.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations, which is effective for fiscal years beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Authority has not yet completed the process of evaluating the impact of GASB 91 on its financial statements.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics and the majority of topics are effective for fiscal years beginning after June 15, 2020. The Authority has not yet completed the process of evaluating the impact of GASB 92 on its financial statements.

2. Significant Accounting Policies *(continued)*

Subsequent Events Evaluation by Management

The Authority has evaluated subsequent events through the report date and noted a significant event. Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the Authority's economically sensitive revenues (i.e. interest income on notes receivable and fee income) might be negatively impacted. Anticipated collection rates of interest income and fee income might be slowed as New Jersey businesses experience potential cash flow issues and may defer payments. Meanwhile, the Authority's expenditures for pension benefits and other postemployment health benefits (due to stock market declines) could increase sharply. These factors were unforeseen and not taken into consideration in the development of the 2020 adopted budget. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Authority's financial position at this time.

In September 2020, the Authority unexpectedly collected $4,307,739 on a loan receivable that was previously deemed uncollectable and written off.

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, 2019 and 2018, notes receivable, net of allowances or participations, were as follows:

	2019	2018
Notes Receivable:		
Urban Site Acquisition ("USA")	$ 3,503,129	$ 2,098,372
Redevelopment Investment Fund ("RIF")	7,918,058	5,820,130
Predevelopment Loan Fund - CDBG	330,322	330,322
Working in Newark's Neighborhoods	3,218,128	3,492,649
	14,969,637	11,741,473
Less allowances and reserves	557,506	1,363,049
	$ 14,412,131	$ 10,378,424

3. Notes Receivable (*continued*)

The maturity dates for notes receivable for future years subsequent to December 31, 2019 are as follows:

Current	$ 1,111,779
2-5 years	7,412,176
6-10 years	2,489,575
11-15 years	3,380,598
16-20 years	223,246
Thereafter	352,263
	14,969,637
Less allowances	557,506
	14,412,131
Less current portion	1,111,779
Noncurrent portion	$13,300,352

Concentration

At December 31, 2019, there are 4 borrowers' loans that represent approximately 85% of outstanding loans. At December 31, 2018, there are 3 borrowers' loans that represent approximately 86% of outstanding loans.

4. Capital Assets

Capital assets at December 31, 2019 and 2018 consist of the following:

	2019	2018
Automobiles	$ 118,461	$ 118,461
Other	27,366	27,366
Computers and equipment	600,758	600,758
	746,585	746,585
Less accumulated depreciation	703,339	671,936
	$ 43,246	$ 74,649

For the years ended December 31, 2019 and 2018, depreciation expense was $31,404 and $32,128, respectively.

5. Long Term Liabilities

During 2019 and 2018 the following changes in in the components of long-term liabilities were:

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019
Compensated Absences	$ 38,369	$ 17,532	$ -	$ 55,901
Due to DCA	345,673	-	8,448	337,225
Net OPEB Liability	1,815,291	-	361,798	1,453,493
Net Pension Liability	3,032,396	-	424,426	2,607,970
	$ 5,231,729	$ 17,532	$ 794,672	$ 4,454,589

	Balance 12/31/2017	Issued	Retired	Balance 12/31/2018
Compensated Absences	$ 36,333	$ 2,036	$ -	$ 38,369
Due to DCA	556,904	-	211,231	345,673
Net OPEB Liability	2,529,720	-	714,429	1,815,291
Net Pension Liability	3,612,224	-	579,828	3,032,396
	$ 6,735,181	$ 2,036	$ 1,505,488	$ 5,231,729

No liabilities are considered due within one year.

6. Investment in CDE

In conjunction with the NMTC transactions, the Authority made two $1,000 capital contributions in NJRA CDE 2, a limited liability company, as managing member.

7. 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.

A summary of the amounts due to subrecipients from the above funding resources at December 31, 2019 and 2018 consists of the following:

	2019	**2018**
WFNJ	$ 198,000	$ 198,000
BDA	99,360	99,360
	$ 297,360	$ 297,360

8. Commitments and Contingencies

Loan Commitments

The following loan commitments are outstanding as of December 31, 2019 and 2018:

	2019	2018
USA, Inc.	$ 500,000	$ 1,850,000

Guarantee Program

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 $599,415 of cash and cash equivalents in a separate bank account to cover their potential exposure at December 31, 2018 and none for 2019.

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.

Operating Lease

The Authority entered into a lease for its administrative office space, which expires in August 2022. 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.

8. Commitments and Contingencies *(continued)*

Operating Lease *(continued)*

Future minimum lease payments subsequent to December 31, 2019 are as follows:

2020	$ 187,380
2021	187,380
2022	190,559
2023	190,848
2024	111,328
	$ 867,495

9. Net Position

The Authority's restricted net position as of December 31, 2019 and 2018 is as follows:

	2019	**2018**
Urban Site Acquisition ("USA")	$ 12,448,531	$ 13,853,289
Redevelopment Investment Fund ("RIF")	3,961,749	5,289,134
Working in Newark's Neighborhoods	1,822,798	1,195,815
	$ 18,233,078	$ 20,338,238

10. PERS Retirement System

Description of Plans

The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

10. PERS Retirement System (continued)

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Public Employee Retirement System

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund.

Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2019 and 2018:

	2019	2018
Inactive plan members or beneficiaries currently receiving benefits	178,748	174,904
Inactive plan members entitled to but not yet receiving benefits	609	589
Active plan members	252,598	254,780
	431,955	430,273

Contributing Employers – 1,697

Significant Legislation – For State of New Jersey contributions to the PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

10. PERS Retirement System *(continued)*

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of the PERS.

For the year ended December 31, 2019 and 2018 the Authority's total payroll for all employees was $1,017,718 and $1,067,672, which approximates the covered PERS payroll.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions are based on an amortization of the unfunded accrued liability. Funding or noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Authority contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

It is assumed that the local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 70% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 70% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2019 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2019 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

Authority payments to PERS for the years ending December 31, 2019 and 2018 consisted of the following:

	2019	2018
Total Regular Billing	$ 153,191	$ 143,753

The Authority recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

10. PERS Retirement System *(continued)*

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members with 25 years or more of service credit before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier.

Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the PERS reported a net pension liability of $18,143,832,135 for its Non-State Employer Member Group. The Authority's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Authority was $2,607,970 or 0.0144738576% which was a decrease of 0.000927224% from its proportion measured as of June 30, 2018. For the year ended December 31, 2019, the Authority recognized a full accrual pension expense of $263,028.

At June 30, 2018, the PERS reported a net pension liability of $19,689,501,539 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Authority was $3,032,396 or 0.01540108%. For the year ended December 31, 2018, the Authority recognized a full accrual pension expense of $338,127.

10. PERS Retirement System *(continued)*

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	$ 46,810	$ 11,521
Changes in assumptions	260,415	905,218
Net difference between projected and actual earnings on pension plan investments		41,168
Changes in proportion and differences between Authority contributions and proportionate share of contributions	408,435	230,325
Authority contributions subsequent to the measurement date	70,394	
	$ 786,054	$ 1,188,232

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	$ 57,828	$ 15,636
Changes in assumptions	499,689	969,599
Net difference between projected and actual earnings on pension plan investments		28,444
Changes in proportion and differences between Authority contributions and proportionate share of contributions	667,997	150,144
Authority contributions subsequent to the measurement date	76,596	
	$ 1,302,110	$ 1,163,823

The $70,394 shown as deferred outflows of resources related to the PERS is resulting from the Authority contributions subsequent to the measurement date.

10. PERS Retirement System *(continued)*

Year Ended December 31,	Amount
2020	$ 99,868
2021	(127,535)
2022	(274,128)
2023	(152,247)
2024	(18,530)
	$ (472,572)

Actuarial Assumptions- The total pension liability in the June 30, 2019 and June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Inflation-Prices	2.75%	2.25%
Inflation-Wages	3.25%	2.25%
Salary Increases		
Through 2026	2.00% - 6.00% Based on years of service	1.65% - 4.15% based on age
Thereafter	3.00% - 7.00% Based on years of service	2.65% - 5.15% based on age
Investment rate of return	7.00%	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 97.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

10. PERS Retirement System *(continued)*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

2019			2018		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%	Absolute return/risk mitigation	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	Cash Equivalents	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	Investment Grade Credit	10.00%	3.78%
High Yield	2.00%	5.37%	Public High Yield	2.50%	6.82%
Private Credit	6.00%	7.92%	Global Diversified Credit	5.00%	7.10%
Real Assets	2.50%	9.31%	Credit Oriented Hedge Funds	1.00%	6.60%
Real Estate	7.50%	8.33%	Debt Related Private Equity	2.00%	10.63%
U.S. Equity	28.00%	8.26%	Debt Related Real Estate	1.00%	6.61%
Non-U.S. Developed Markets Equity	12.50%	9.00%	Private Real Estate	2.50%	11.83%
Emerging Markets Equities	6.50%	11.37%	Equity Related Real Estate	6.25%	9.23%
Private Equity	12.00%	10.85%	U.S. Equity	30.00%	8.19%
	100.00%		Non-U.S. Developed Markets Equity	11.50%	9.00%
			Emerging Markets Equity	6.50%	11.64%
			Buyouts/Venture Capital	8.25%	13.08%
				100.00%	

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2018 was 5.66% and as of June 30, 2019 was 6.28%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

10. PERS Retirement System *(continued)*

Sensitivity of Net Pension Liability – the following presents the net pension liability of the PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	June 30, 2019		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
PERS	$ 3,294,290	$ 2,607,970	$ 2,029,648

	June 30, 2018		
	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
PERS	$ 3,812,889	$ 3,032,396	$ 2,377,613

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2019 and 2018 were $29,847,977,666 and $29,472,374,536, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2019 and 2018 was $23,347,631,751 and $22,742,071,972, respectively.

Additional information
Collective Local Group balances at June 30, 2019 are as follows:

Collective deferred outflows of resources	$ 3,149,522,616
Collective deferred inflows of resources	$ 7,645,087,574
Collective net pension liability	$ 18,143,832,135
Authority's proportion	0.0144738576%

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 and 2018 was $974,471,686 and $1,099,708,157, respectively. The average of the expected remaining service lives of all plan members is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis with the first contribution 15 months after the associated valuation date.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

10. PERS Retirement System *(continued)*

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2019 and June 30, 2018 are $1,038,892,124 and $1,073,054,740, respectively.

11. Post Retirement Benefits Other Than Pension

The New Jersey Redevelopment Authority provides healthcare to its employees and retirees through its participation in the State Health Benefits Program (SHBP), a cost sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical and prescription drugs to retirees and their covered dependents. All active full time employees are covered by the SHBP. Employees become eligible for these benefits upon retirement after 25 years of creditable service in the PERS.

Benefit provisions for the plan are established and amended by the Authority's Members, and there is no statutory requirement for the Authority to continue this plan for future Authority employees. The Plan is a non-contributory plan with all payments for plan benefits being funded by the Authority. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

At June 30, 2019 and 2018, Twelve (12) and Twelve (12) plan members (active and retiree) were receiving postretirement health care benefits in which the Authority was billed $129,394 and $147,664, respectively. Participating employers are contractually required to provide for their contributions based on the amount of premiums attributable to their retirees.

Plan Description and Benefits Provided:

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer

11. Post Retirement Benefits Other Than Pension *(continued)*

at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Total OPEB Liability

Nonspecial Funding Situation - The State of New Jersey's Total OPEB Liability for nonspecial funding situation was $8,020,352,361 and $9,452,773,649 at June 30, 2019 and 2018, respectively.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Authority was $1,453,493 and $1,815,291 at June 30, 2019 and 2018, respectively. These allocated liabilities represent 0.010730% and 0.011587% of the State's Total Non-employer OPEB Liability for June 30, 2019 and 2018, respectively.

Components of Net OPEB Liability – The components of the collective net OPEB liability for PERS, including the State of New Jersey, is as follows:

	June 30, 2019	June 30, 2018
Total OPEB Liability	$13,819,244,582	$15,981,103,227
Plan Fiduciary Net Position	273,173,482	314,485,086
Net OPEB Liability	$13,546,071,100	$15,666,618,141
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending

11. Post Retirement Benefits Other Than Pension *(continued)*

on the pension plan the member is enrolled in. These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary Increases*:	
Public Employees' Retirement Systems (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00 - 6.00%
Rate thereafter	3.00 - 7.00%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

* Salary increases are based on years of service within the respective plan.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PERS experience study prepared for July 1, 2014 to June 30, 2018.

100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend Assumptions – For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate - The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage- point higher than the current rate:

11. Post Retirement Benefits Other Than Pension *(continued)*

	June 30, 2019		
	1% Decrease (2.50%)	At Discount Rate (3.50%)	1% Increase (4.50%)
Total Net OPEB Liability	$ 15,662,704,137	$ 13,546,071,100	$ 11,826,026,995
Authority's Share	$ 2,098,938	$ 1,453,493	$ 1,584,790

	June 30, 2018		
	1% Decrease (2.87%)	At Discount Rate (3.87%)	1% Increase (4.87%)
Total Net OPEB Liability	$ 18,381,085,096	$ 15,666,618,141	$ 13,498,373,388
Authority's Share	$ 2,129,816	$ 1,815,291	$ 1,564,056

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the net OPEB liability as of June 30, 2019 and 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	$ 11,431,214,644	$ 13,546,071,100	$ 16,243,926,531
Authority's Share	$ 1,531,882	$ 1,453,493	$ 2,176,827

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	$ 13,068,471,450	$ 15,666,618,141	$ 19,029,006,023
Authority's Share	$ 1,514,244	$ 1,815,291	$ 2,204,891

11. Post Retirement Benefits Other Than Pension *(continued)*

At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2019	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes of assumptions	$ -	$ 515,086
Changes in proportion	-	486,010
Difference between expected and actual experience	-	425,058
Net difference between projected and actual investment earnings on OPEB plan investments	1,197	-
	$ 1,197	$ 1,426,154

	June 30, 2018	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes of assumptions	$ -	$ 460,472
Changes in proportion	-	372,356
Difference between expected and actual experience	-	368,569
Net difference between projected and actual investment earnings on OPEB plan investments	959	-
	$ 959	$ 1,201,397

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending	*Amount*
2020	$ (236,818)
2021	(236,820)
2022	(236,929)
2023	(237,088)
2024	(237,213)
Thereafter	(240,089)
Total	$ (1,424,957)

11. Post Retirement Benefits Other Than Pension *(continued)*

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14, and 8.04 years for the 2019, 2018, and 2017 amounts, respectively.

* * * *

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Required Supplementary Information
Schedule of the Authority's Proportionate Share of Net Pension Liability

	2019	2018	2017	2016	2015
Authority's % proportionate share of net pension liability	0.01447386%	0.01540108%	0.01551749%	0.01549203%	0.08241640%
Authority's proportionate share of net pension liability	$ 2,607,970	$ 3,032,396	$ 3,612,224	$ 4,588,296	$ 1,850,083
Authority's covered employee payroll	$ 1,017,718	$ 1,067,672	$ 1,166,714	$ 1,115,703	$ 1,032,317
Authority's proportionate share of net pension liability as a % of covered employee payroll	256.3%	284.0%	309.6%	411.2%	179.2%
Plan fiduciary net position as a % of total pension liability	56.27%	53.60%	48.10%	40.14%	47.93%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report

New Jersey Redevelopment Authority
(a component unit of the State of New Jersey)

Required Supplementary Information
Schedule of Contributions

	2019	2018	2017	2016	2015
Authority's required contribution	$ 140,788	$ 136,746	$ 137,629	$ 75,700	75,719
Authority's contributions in relation to the contractually required contribution	$ 140,788	$ 136,746	$ 137,629	$ 75,700	75,719
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 1,017,718	$ 1,067,672	$ 1,166,714	$ 1,115,703	$ 1,032,317
Contributions as a % of covered employee payroll	13.83%	12.81%	11.80%	6.78%	7.33%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

Public Employees Retirement System

Change in benefit terms There were none.

Change in Assumptions:	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	6.28%	5.66%	5.00%	3.98%	4.90%
Inflation Rate	2.75%	2.25%	2.25%	3.08%	3.04%
Long-term Rate of Return	7.00%	7.00%	7.00%	7.65%	7.90%

See independent auditors' report

New Jersey Redevelopment Authority
(A component unit of the State of New Jersey)

Required Supplementary Information
Schedule of Authority's Proportionate Share of the Net OPEB Liability
State Health Benefit Local Government Retired Employees' plan

Last Ten Fiscal Years*

	2019	2018	2017	2016
Authority's proportion of the net OPEB liability	0.010730%	0.011587%	0.012391%	0.01457%
Authority's proportionate share of the net OPEB liability	$ 1,453,493	$ 1,815,291	$ 2,529,720	$ 2,973,772
Covered employee payroll	$ 1,017,718	$ 1,067,672	$ 1,166,714	$ 1,115,703
Authority's proportionate share of the net OPEB liability as a percentage of it's covered employee payroll	142.82%	170.02%	216.82%	266.54%
Plan Fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%	1.03%	0.69%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years.
However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

New Jersey Redevelopment Authority
(A component unit of the State of New Jersey)

Required Supplementary Information
Schedule of Authority's Contributions
State Health Benefit Local Government Retired Employees' Plan

Last Ten Fiscal Years*

	2019	2018	2017	2016
Contractually required contribution	$ 129,394	$ 147,664	$ 158,318	$ 136,339
Contributions in relation to the contractually required contribution	$ (129,394)	$ (147,664)	$ (158,318)	$ (136,339)
Contribution deficency (excess)	$ -	$ -	$ -	$ -
Authority's Covered employee payroll	$ 1,017,718	$1,067,672	$1,166,714	$1,115,703
Contributions as a percentage of covered-employee payroll	13%	14%	14%	12%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information

Change in benefit terms	There were none.
Change in assumptions	The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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*

Independent Auditors' Report

Board of Directors
New Jersey Redevelopment Authority

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"), a component unit of the State of New Jersey as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 25, 2020.

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 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 Authority'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.

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 I Tel: 908.272.6200 I Fax: 908.272.2416 I www.pkfod.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

PKF O'Connor Davies, LLP

September 25, 2020
Cranford, New Jersey