Financial Statements

New Jersey Economic Development Authority
Years Ended December 31, 2016 and 2015
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

New Jersey Economic Development Authority

Financial Statements

Years Ended December 31, 2016 and 2015

Contents

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Report of Independent Auditors

The Management and Members of the Authority
New Jersey Economic Development Authority

We have audited the accompanying basic financial statements of the New Jersey Economic Development Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2016 and 2015, 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Authority as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of funding progress of the postemployment healthcare plan, the schedule of the Authority's proportionate share of the net pension liability and the schedule of the Authority's contributions to the Public Employees' Retirement System (PERS) as listed in the table of contents, 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 which 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, 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.

Ernst + Young LLP

May 31, 2017

This section of the New Jersey Economic Development Authority's ("Authority" or "NJEDA") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended on December 31, 2016 and 2015. Please read it in conjunction with the Authority's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis, the basic financial statements, and required supplementary information. 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- 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 engaged in such activities as real estate development, investment banking, commercial lending, construction management and consultation. While detailed sub-fund information is not presented, separate accounts are maintained for each program or project to control and manage money for particular purposes or to demonstrate that the Authority is properly using specific appropriations, grants and bond proceeds.

2016 FINANCIAL HIGHLIGHTS

- The Authority's total net position increased $10.8 million (or 2.1%).

- The net pension liability increased $18.3 million (or 37.6%) due to a change in the Authority's proportion of the State of New Jersey's net pension liability and an increase in the overall liability.

- Operating lease revenue decreased $0.87 million (or 7.9%) due to the sale of the Waterfront Technology Center at Camden ("WTCC") during the year.

- Other revenue increased $20.2 million (or 135.9%) due largely to distributions received from specific venture fund investments in which the Authority is a limited partner.

- Gain on sale of assets – net increased $5.6 million (or 100.0%) due to the sale of the WTCC.

- Salaries and Benefits expenses decreased \$3.5 million (or 10.1%) as additional contributions made to the employee Post Employment Benefit Trust, which occurred in 2015, did not recur in 2016.

- Loss provisions expense – net decreased \$8.0 million (or 375.5%) due to scheduled paydowns, as well as early payoffs in the loan portfolio, along with those repayments exceeding new loan disbursements.

- Program payments increased \$35 million (or 91.5%) due largely to disbursements to applicants under the Superstorm Sandy program.

2015 FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$13.6 million (or 2.7%).

- The net pension liability increased \$20.1 million (or 70.3%) due to a change in the Authority's proportion of the State of New Jersey's net pension liability.

- Finance fees increased \$4.0 million (or 44.4%) due to increased activity in specific incentive-based programs offered by the Authority.

- Other revenue increased \$7.4 million (or 99.9%) due largely to distributions received from venture fund investments in which the Authority is a limited partner.

- Salaries and Benefits expenses increased \$12.4 million (or 55.6%) due to additional contributions made to the employee Post Employment Benefit Trust in order to fully fund the obligation and the increase in pension expense per the Schedules of Employer Allocations and Schedules of Pension Amounts by Employer received from the State.

- Federal and state appropriations, net of all program payments, increased \$20.6 million (or 476.1%) due largely to additional CDBG-Disaster Recovery funding received for the Stronger NJ Business programs.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position. The following table summarizes the changes in Net Position at December 31, 2016, 2015 and 2014:

	2016	2015 *(As Restated)*	2014	% Increase/(Decrease) 2016/2015	% Increase/(Decrease) 2015/2014
Assets:					
Other assets	**$ 519,596,570**	$ 490,368,781	$ 474,260,875	6.0%	3.4%
Capital assets, net	**67,308,976**	86,152,710	91,371,783	(21.9)%	(5.7)%
Total assets	**586,905,546**	576,521,491	565,632,658	1.8%	1.9%
Deferred outflows of resources:					
Deferred outflow related to pension	**29,472,454**	18,728,245	2,482,701	57.4%	654.3%
Liabilities:					
Current Liabilities	**12,509,607**	12,093,809	14,481,636	3.4%	(16.5)%
Net Pension Liability	**67,068,246**	48,740,925	28,627,890	37.6%	70.3%
Other Noncurrent Liabilities	**12,410,147**	20,034,900	23,306,627	(38.1)%	(15.3)%
Total liabilities	**91,988,000**	80,869,634	66,416,153	13.7%	21.8%
Deferred inflows of resources:					
Deferred inflow related to pension	**–**	783,660	1,706,067	(100.0)%	(54.1)%
Net position:					
Net investment in capital assets	**58,100,060**	82,856,031	87,235,047	(29.9)%	(5.0)%
Restricted	**33,287,850**	22,583,026	22,420,545	47.4%	0.7%
Unrestricted	**433,002,090**	408,157,385	390,337,547	6.1%	4.6%
Total net position	**$ 524,390,000**	$ 513,596,442	$ 499,993,139	2.1%	2.7%

During 2016, the Authority's combined net position increased $10.8 million (or 2.1%) due to:

$ (4.8) Million	Petroleum Underground Storage Tank ("PUST") grant award payments and loan disbursements – net of appropriations received
$ (17.4) Million	Hazardous Discharge Site Remediation Fund ("HDSRF") disbursements
$ (12.0) Million	Return of unused program payments to State for discontinued programs
$ (1.5) Million	Municipal Economic Recovery Initiative grant award payments
$ 22.9 Million	Net receipts from CDBG-Disaster Recovery funds for the Stronger NJ Business programs
$ 10.8 Million	Net receipts from the State relating to State Small Business Credit Initiative Program ("SSBCI")
$ 12.8 Million	Net receipts relating to other Authority programs

During 2015, the Authority's combined net position increased $13.6 million (or 2.7%) due to:

$	(10.8) Million	Petroleum Underground Storage Tank ("PUST") grant award payments and loan disbursements
$	(9.6) Million	Hazardous Discharge Site Remediation Fund ("HDSRF") disbursements
$	(2.5) Million	Municipal Economic Recovery Initiative grant award payments
$	33.8 Million	Net receipts from CDBG-Disaster Recovery funds for the Stronger NJ Business programs
$	2.7 Million	Net receipts from the State relating to Other Programs

Operating Activities. The Authority charges financing fees that may include an application fee, commitment fee, closing fee, document execution fee and an annual servicing fee. The Authority also charges an agency fee for the administration of financial programs for various government agencies; a program service fee for the administration of Authority programs that are service-provider based, rather than based on the exchange of assets such as the commercial lending program; and a real estate development fee for real estate activities undertaken on behalf of governmental entities and commercial enterprises. The Authority may also generate a return on investments in venture capital funds which invest, in whole or in part, in New Jersey based businesses. Interest income on investments, notes and intergovernmental obligations is recognized as earned. Grant revenue is earned when the Authority has complied with the terms and conditions of the grant agreements. The Authority also earns income from operating leases and interest income on lease revenue from capital lease financings. Late fees are charged to borrowers delinquent in their monthly loan payments. All forms of revenue accrue to the benefit of the program for which the underlying source of funds is utilized. The Authority considers all activity to be operating activities, except as described in the following section.

Non-Operating Activities. The Authority earns interest on idle cash and investments, and may derive income from the sale of capital assets, as well as the receipt of state and federal appropriations which are used to administer specific programs on behalf of the State of New Jersey, and which directly benefit New Jersey based businesses. The Authority considers this activity to be non-operating in nature.

The following table summarizes the changes in operating and non-operating activities between fiscal years 2016, 2015 and 2014:

				% Increase/(Decrease)	
	2016*	2015	2014	**2016/2015**	**2015/2014**
		(As Restated)			
Operating revenues:					
Financing fees	**$ 12,900,490**	$ 13,117,822	$ 9,086,134	(1.7)%	44.4%
Lease revenue	**10,195,935**	11,066,759	13,986,329	(7.9)%	(20.9)%
Interest income:					
Notes	**5,148,779**	5,014,739	5,463,086	2.7%	(8.2)%
Other	**35,033,121**	14,847,756	7,426,396	135.9%	99.9%
Total operating revenues	**63,278,325**	44,047,076	35,961,945	43.7%	22.5%
Operating expenses:					
Administrative expenses	**36,913,992**	39,647,125	28,477,801	(6.9)%	39.2%
Interest expense	**198,803**	346,079	1,804,038	(42.6)%	(80.8)%
Depreciation	**6,013,587**	6,616,729	8,376,241	(9.1)%	(21.0)%
Loss (recovery) provisions – net	**(5,879,419)**	2,134,193	5,620,945	(375.5)%	(62.0)%
Program costs	**7,297,282**	7,950,955	6,626,109	(8.2)%	20.0%
Total operating expenses	**44,544,245**	56,695,081	50,905,134	(21.4)%	11.4%
Operating income/(loss)	**18,734,080**	(12,648,005)	(14,943,189)	248.1%	(15.4)%
Nonoperating revenues and (expenses):					
Interest income – investments	**2,324,584**	1,696,602	1,919,165	37.0%	(11.6)%
State appropriations	**19,703,582**	14,069,332	12,906,993	40.0%	9.0%
Program payments	**(73,268,795)**	(38,263,793)	(73,704,320)	91.5%	(48.1)%
Federal appropriations	**44,240,190**	49,170,712	65,133,093	(10.0)%	(24.5)%
Gain on sale of assets	**5,642,596**	–	22,353,371	100.0%	(100.0)%
Other expense	**(209,574)**	(421,545)	(274,074)	50.3%	(53.8)%
Total nonoperating revenues and (expenses), net	**(1,567,417)**	26,251,308	28,334,228	(106.0)%	(7.4)%
Income (loss) before special item	**17,166,663**	13,603,303	13,391,039	26.2%	1.6%
CCURLP dissolution	**(6,373,105)**	–	–	(100.0)%	0.0%
Technology Centre Cost-adjustment	**–**	–	(19,569,699)	0.0%	(100.0)%
Change in net position	**10,793,558**	13,603,303	(6,178,660)	(20.7)%	320.2%
Beginning net position	**513,596,442**	499,993,139**	506,171,799**		
Ending net position	**$ 524,390,000**	$ 513,596,442	$ 499,993,139		

*Includes blended component unit, (Refer to Note 1)
**Restated for GASB 68/71

Operating Revenues

In 2016, the Authority's operating revenues were positively impacted by the receipt of $12.9 million in financing fees, led by activity in the bond and incentive programs. Other operating revenues were favorably impacted by the receipt of $19.2 million in venture fund distributions and warrants resulting from the Authority's capital investments. An additional $10.8 million grant was received as the third and final tranche of the SSBCI financing program. Overall operating revenues increased by $19.2 million.

Operating Expenses

In 2016, total operating expenses decreased by $12.2 million as an increase of $8.8 million in salary and benefits resulting from the Authority making additional contributions to its employee Post Employment Benefit Trust and $3.6 million in additional pension expense pursuant to GASB 68, which occurred in 2015, were not replicated in 2016. The decrease in loss provision expense – net relates to scheduled and early paydowns on revolving loans, as well as repayments exceeding new disbursements during the year. The $5.8 million increase in 2015, in total operating expenses, was due largely to an increase in salary and benefits as a result of the Authority making additional contributions to its employee Post Employment Benefit Trust and additional pension expense pursuant to GASB 68.

Non-Operating Revenues and Expenses – Net

In 2016, non-operating revenues and expenses – net, decreased by $27.8 million and decreased by $2.1 million in 2015. This was largely due to the fluctuation in Federal and State appropriations offset by program payments. In 2016, the Authority disbursed $73.3 million in program payments to qualified applicants, primarily under the Stronger NJ Business programs; in 2015, total program payments were $38.3 million. The 2016 gain on the sale of the WTCC amounted to $5.6 million, and is a one-time revenue source.

Allowance for Credit Losses

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. These specifically assigned risk ratings are updated to account for changes in financial condition of the borrower or guarantor, delinquent payment history, loan covenant violations, and changing economic conditions.

The assigned risk rating classifications are consistent with the ratings used by the Office of the Comptroller of the Currency. Each risk rating is assigned a specific loss factor in accordance with the severity of the classification. Each month an analysis is prepared using the current loan balances, existing exposure on guarantees, and the assigned risk rating to determine the adequacy of the reserve. Any adjustments needed to adequately provide for potential credit losses (recoveries) are reported as a Loss Provision (Recovery).

The following table summarizes the Loan Allowance activity for the end of the period from December 31, 2014 through December 31, 2016:

December 31, 2014		
Allowance for loan losses	$ 18,716,964	
Accrued guarantee losses	2,552,529	
Total allowance		$ 21,269,493
2015 Provision for credit losses-net	6,807,326	
2015 Write-offs	(2,503,606)	4,303,720
December 31, 2015		
Allowance for loan losses	24,190,532	
Accrued guarantee losses	1,382,681	
Total allowance		25,573,213
2016 Provision for credit losses-net	1,685,744	
2016 Write-offs	(5,884,943)	(4,199,199)
December 31, 2016		
Allowance for loan losses	20,197,740	
Accrued guarantee losses	1,176,274	
Total allowance		$ 21,374,014

The Authority's write-down and Loan Loss Reserve policies closely align with the reporting requirements of the banking industry. When management determines that the probability of collection is less than 50% of the remaining balance, it is the policy to assign a Loss rating to the account. For an account rated as Loss, a loss provision is recognized for the entire loan balance.

Loans are written-off against the Loss Allowance when it is determined that the probability of collection within the near term is remote. The recognition of a loss does not automatically release the borrower from the obligation to pay the debt. Should the borrower, guarantors, or collateral position improve in the future, any and all steps necessary to preserve the right to collect these obligations will be taken.

Aggregate gross loan and guarantee exposure at December 31, 2016 was $206,972,076, of which $190,407,862 or 92% is for loans and $16,564,394 for issued loan guarantees.

Aggregate gross loan and guarantee exposure at December 31, 2015 was $210,087,421, of which $188,481,219 or 89.7% is for loans and $21,606,202 for issued loan guarantees.

At December 31, 2016 the Authority maintained a Credit Loss Allowance of $21,374,014 or 10.4% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2016, were $5,884,943 or 2.8% of the loan and guaranty exposure.

At December 31, 2015 the Authority maintained a Credit Loss Allowance of $25,573,213 or 12.2% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2015, were $2,503,606 or 1.2% of the loan and guaranty exposure.

The Authority is a limited partner in various early stage venture funds with the purpose of providing venture capital to exceptionally talented entrepreneurs to facilitate the growth of these companies. These investments are accounted for using the cost basis as they do not have a readily determinable market value. The Authority will establish a valuation allowance for these investments when they determine through a series of events that an other than temporary decrease in value has occurred.

The 2016 Loss Provisions (Recapture) – Net, of $(5.9 million), are related to the following detailed information:

$	1,685,744	Loan and Guarantee Program activity
$	(7,594,597)	Venture Capital Funds and Capital Investments

The 2015 Loss Provisions – Net, of $1.3 million, are related to the following detailed information:

$	6,807,325	Loan and Guarantee Program activity
$	(5,463,681)	Venture Capital Funds and Capital Investments

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority independently, or in cooperation with a private or governmental entity, acquires, invests in and/or develops vacant industrial sites, existing facilities, unimproved land, equipment and other real estate for private or governmental use. Sites developed and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for the municipalities. Sites are developed for governmental use for a fee and also may be leased to the State or State entities. For the majority of these leases, future minimum lease rental payments are equal to the debt service payments related to the bonds or notes issued for the applicable property.

The following table summarizes the change in Capital Assets-Net between fiscal year 2016, 2015 and 2014:

				% Increase/(Decrease)	
	2016	**2015**	**2014**	**2016/2015**	**2015/2014**
Land	**$ 28,983,065**	$ 28,983,065	$ 27,582,065	0.0%	5.1%
Construction in progress	**–**	–	3,345	0.0%	(100)%
Total nondepreciable capital assets	**28,983,065**	28,983,065	27,585,410	0.0%	5.1%
Building	**86,479,970**	98,343,729	98,343,729	(12.1)%	0.0%
Leasehold improvements	**34,933,205**	47,195,145	47,195,145	(26.0)%	0.0%
Total depreciable capital assets	**121,413,175**	145,538,874	145,538,874	(16.6)%	0.0%
Less accumulated depreciation	**(83,087,264)**	(88,369,229)	(81,752,501)	(6.0)%	8.1%
Capital assets – net	**$ 67,308,976**	$ 86,152,710	$ 91,371,783	(21.9)%	(5.7)%

More detailed information about the Authority's capital assets is presented in the Notes to the financial statements.

Capital Debt. At year end, the Authority had $2,264,426 of gross note principal outstanding; a net decrease of 75.6%, due to the paydown of notes owed to two public utilities in the State of New Jersey. More detailed information about the Authority's capital debt is presented in the Notes to the financial statements.

The following table summarizes the changes in capital debt between fiscal year 2016, 2015 and 2014:

				% Increase/(Decrease)	
	2016	**2015**	**2014**	**2016/2015**	**2015/2014**
Notes payable	**$ 2,264,426**	$ 9,296,679	$ 10,136,737	(75.6)%	(8.3)%

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide New Jersey citizens, 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 this report or need additional information, contact Customer Care at (609) 858-6700, CustomerCare@njeda.com, NJEDA, P.O. Box 990, Trenton, NJ 08625-0990, or visit our web site at: www.njeda.com.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Net Position

	December 31 2016	December 31 2015
Assets		
Current assets:		
Cash and cash equivalents – restricted	**$ 69,805,023**	$ 55,442,717
Cash and cash equivalents – unrestricted	**31,236,525**	19,471,146
Investments	**79,224,522**	73,269,694
Receivables:		
Notes	**14,112,512**	9,743,356
Accrued interest on notes	**528,437**	228,181
Accrued interest on investments	**759,087**	589,301
Leases	**100,000**	100,000
Other receivables	**1,907,548**	4,149,514
Total receivables	**17,407,584**	14,810,352
Prepaids and other current assets	**1,162,484**	694,686
Total current assets	**198,836,138**	163,688,595
Noncurrent assets:		
Investments – unrestricted	**143,974,480**	152,238,443
Venture capital partnerships	**8,906,724**	7,946,808
Receivables:		
Notes	**175,935,170**	178,737,863
Accrued interest on notes	**5,155,435**	5,088,888
Unamortized discount	**(392,752)**	(663,451)
Total notes receivables	**180,697,853**	183,163,300
Allowance for doubtful notes	**(20,197,740)**	(24,190,532)
Net notes receivable	**160,500,113**	158,972,768
Leases receivable, net	**6,772,046**	6,753,033
Total receivables	**167,272,159**	165,725,801
Prepaids and other noncurrent assets	**607,069**	769,134
Nondepreciable capital assets	**28,983,065**	28,983,065
Depreciable capital assets, net	**38,325,911**	57,169,645
Total capital assets, net	**67,308,976**	86,152,710
Total noncurrent assets	**388,069,408**	412,832,896
Total assets	**586,905,546**	576,521,491
Deferred outflows of resources		
Deferred outflows from pension	**29,472,454**	18,728,245

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Net Position (continued)

	December 31	
	2016	**2015**
Liabilities		
Current liabilities:		
Accrued liabilities	**$ 6,661,218**	$ 2,710,347
Pension payable	**2,011,757**	1,866,720
Unearned lease revenues	**1,265,425**	1,548,494
Escrow deposits	**1,568,182**	4,331,297
Notes payable	**973,415**	656,015
Accrued interest payable	**29,610**	64,521
Total current liabilities	**12,509,607**	11,177,394
Noncurrent liabilities:		
Net pension liability	**67,068,246**	48,740,925
Notes payable	**1,291,011**	8,640,664
Unearned lease revenues	**8,957,707**	10,011,555
Accrued guarantee losses	**1,176,274**	1,382,681
Compensated absences	**985,155**	916,415
Total noncurrent liabilities	**79,478,393**	69,692,240
Total liabilities	**91,988,000**	80,869,634
Deferred inflows of resources		
Deferred inflows from pension	**–**	783,660
Net position		
Net investment in capital assets	**58,100,060**	82,856,031
Restricted by Federal agreement	**33,287,850**	22,583,026
Unrestricted	**433,002,090**	408,157,385
Total net position	**$ 524,390,000**	$ 513,596,442

See accompanying notes.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31	
	2016	**2015**
Operating revenues		
Financing fees	**$ 12,900,490**	$ 13,117,822
Interest income – notes	**5,148,779**	5,014,739
Financing lease revenue	**119,014**	119,014
Operating lease revenue	**10,076,921**	10,947,745
Agency fees	**2,135,575**	2,100,236
Program services	**746,064**	758,744
Real estate development	**905,234**	894,037
Distributions and warrants	**19,196,536**	7,005,792
Grant revenue	**10,831,972**	–
Other	**1,217,740**	4,088,947
Total operating revenue	**63,278,325**	44,047,076
Operating expenses		
Salaries and benefits	**31,310,245**	34,821,089
General and administrative	**5,603,747**	4,826,036
Interest	**198,803**	346,079
Program costs	**7,297,282**	7,950,955
Depreciation	**6,013,587**	6,616,729
Loss (recovery) provisions – net	**(5,879,419)**	2,134,193
Total operating expenses	**44,544,245**	56,695,081
Operating income/(loss)	**18,734,080**	(12,648,005)
Nonoperating revenues and expenses		
Interest income – investments	**2,324,584**	1,696,602
Unrealized gain (loss) in investment securities	**(209,574)**	(421,545)
Gain on sale of assets – net	**5,642,596**	–
State appropriations	**19,703,582**	14,069,332
Federal appropriations	**44,240,190**	49,170,712
Program payments	**(73,268,795)**	(38,263,793)
Nonoperating (expenses) revenues– net	**(1,56;7,417)**	26,251,308
Income before special item	**17,166,663**	13,603,303
Special item – CCURLP dissolution	**(6,373,105)**	–
Change in net position	**10,793,558**	13,603,303
Net position – beginning of year	**513,596,442**	499,993,139
Net position – end of year	**$ 524,390,000**	$ 513,596,442

See accompanying notes.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Cash Flows

	Year Ended December 31 2016	2015
Cash flows from operating activities		
Cash receipts from financing fees	**$ 13,504,141**	$ 12,560,124
Interest from notes	**3,944,112**	4,038,592
Lease rents	**8,921,880**	10,315,064
Grants	**10,831,972**	–
Agency fees	**2,135,575**	2,100,236
Program services	**1,948,139**	4,838,644
Distributions	**653,951**	–
Real estate development	**550,536**	982,403
General and administrative expenses paid	**(27,941,489)**	(33,570,427)
Program costs paid	**(6,744,809)**	(8,091,942)
Collection of notes receivable	**30,895,182**	23,440,094
Loans disbursed	**(39,484,058)**	(59,161,163)
Deposits received	**21,317,197**	27,704,995
Deposits released	**(24,080,312)**	(31,478,191)
Net cash used in operating activities	**(3,547,983)**	(46,321,571)
Cash flows from noncapital financing activities		
Program funding received	**–**	48,612
Payment of notes and bonds	**(6,000,000)**	–
Interest refunded (paid) on notes and revenue bonds	**(57,110)**	56,226
Issuance and servicing costs paid	**(5,926)**	(5,926)
Appropriations received	**57,100,754**	62,837,903
Program payments	**(66,208,964)**	(37,579,068)
Net cash provided by noncapital financing activities	**(15,171,246)**	25,357,747
Cash flows from capital and related financing activities		
Payment of bonds and notes	**(1,032,252)**	(840,058)
Interest paid on bonds and notes	**(176,604)**	(229,608)
Purchase of capital assets	**–**	(1,401,000)
Grant repayments related to capital asset sale	**(1,863,246)**	–
Sale of capital assets	**18,472,744**	–
Net cash provided by capital and related financing activities	**15,400,642**	(2,470,666)
Cash flows from investing activities		
Interest from investments	**2,169,445**	1,606,919
Return on capital investments	**25,177,266**	16,292,017
Purchase of investments	**(2,096,514)**	(21,606,584)
Proceeds from sales and maturities of investments	**4,196,075**	2,373,135
Net cash (used in) provided by investing activities	**29,446,272**	(1,334,513)
Net (decrease) increase in cash and cash equivalents	**26,127,685**	(24,769,003)
Cash and cash equivalents – beginning of year	**74,913,863**	99,682,866
Cash and cash equivalents – end of year	**$ 101,041,548**	$ 74,913,863

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Statements of Cash Flows (continued)

	Year Ended December 31	
	2016	**2015**
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	**$ 18,734,080**	$ (12,648,005)
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Loss provisions-net	**(5,879,419)**	2,134,192
Depreciation	**6,013,587**	6,616,729
Amortization of discounts	**(917,426)**	(769,917)
Cash provided by nonoperating activities	**239,640**	179,307
Change in assets and liabilities:		
Notes receivables	**(8,625,944)**	(35,739,333)
Accrued interest receivables-notes	**(369,424)**	(306,979)
Lease payment receivables	**100,000**	100,000
Other receivables	**2,260,160**	1,742,477
Prepaids and other noncurrent assets	**176,973**	13,499
Capital investments	**(18,542,585)**	(7,005,792)
Accrued liabilities	**8,004,334**	3,155,725
Unearned lease revenues	**(1,336,917)**	(873,268)
Accrued interest payables	**(34,911)**	(68,080)
Deposits	**(2,763,115)**	(3,353,282)
Other liabilities	**(607,016)**	501,156
Net cash used in operating activities	**$ (3,547,983)**	$ (46,321,571)
Noncash investing activities		
Unrealized loss in investment securities	**$ (209,574)**	$ (421,545)

See accompanying notes.

Note 1: Nature of the Authority

The New Jersey Economic Development Authority ("Authority") is a public body corporate and politic, constituting an instrumentality and component unit of the State of New Jersey ("State"). The Authority was established by Chapter 80, P.L. 1974 ("Act") on August 7, 1974, as amended and supplemented, primarily to provide financial assistance to companies for the purpose of maintaining and expanding employment opportunities in the State and increasing tax ratables in underserved communities. The Act prohibits the Authority from obligating the credit of the State in any manner. The Authority assists for-profit and non-profit enterprises with access to capital and primarily offers the following products and services:

(a) Bond Financing

The Authority issues tax-exempt private activity bonds and taxable bonds. The proceeds from these single issue or composite series bonds are used to provide long-term, below-market interest loans to eligible entities, which include certain 501(c)(3) nonprofit organizations, manufacturers, exempt public facilities, solid waste facilities, and local, county, and State governmental agencies for capital improvements including real estate acquisition, equipment, machinery, building construction and renovations. All such bonds are special conduit debt obligations of the Authority, are payable solely from the revenues pledged with respect to the issue, and do not constitute an obligation against the general credit of the Authority.

(b) Loans/Guarantees/Investments and Tax Incentives

The Authority directly provides loans, loan participations, loan guarantees and line of credit guarantees to for-profit and not-for-profit enterprises for various purposes to include: the acquisition of fixed assets; building construction and renovation; financing for working capital; technological development; and infrastructure improvements. The Authority also may provide financial assistance in the form of convertible debt, and take an equity position in technology and life sciences companies through warrant options. In addition to lending and investing its own financial resources, the Authority administers several business growth programs supported through State appropriation/allocation, including the technology business tax certificate transfer program, the angel investor tax credit program, tax credits for film industry and digital media projects, job creation and retention incentive grants and tax credits, tax credits for capital investment in urban areas, and reimbursement grants based on incremental revenues generated by redevelopment projects. Other state mandated programs include loans/grants to support hazardous discharge site remediation and petroleum underground storage tank remediation.

Note 1: Nature of the Authority (continued)

(c) Real Estate Development

The Authority independently, or in cooperation with a private or another governmental entity, acquires, invests in and/or develops vacant industrial sites, existing facilities, unimproved land, equipment and other real estate for private or governmental use. Sites developed and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for municipalities. Sites are developed for governmental use for a fee and also may be leased to the State or State entities.

(d) Stronger NJ Business Programs

In 2013, the Authority was awarded a sub-grant from the New Jersey Department of Community Affairs for the purpose of administering a portion of the State's Community Development Block Grant Disaster Recovery allocation to support the recovery of businesses impacted by Superstorm Sandy. To achieve this, the Authority may provide grants and loans to eligible businesses, as well as financial assistance to governmental entities to support community development, neighborhood revitalization and other public improvement projects.

Component Units

The financial statements include the accounts of the Authority and its blended component unit, the Camden County Urban Renewal Limited Partnership ("CCURLP"). All intercompany transactions and balances are eliminated.

CCURLP is a real estate joint venture which provides services for the exclusive benefit of the Authority. CCURLP is a Limited Partnership made up of two corporate entities, Bergen of New Jersey, Inc. and Aegis Camden Partners, Inc. Bergen has a 33.33% interest in CCURLP and Aegis has 66.67% interest in CCURLP. The Boards of all three entities are made up of Authority officers and CCURLP actions were subject to Authority Board approval. On January 30, 2014 the Authority and CCURLP entered into a sale agreement with Cooper's Ferry Partnership ("Cooper's") to sell the CCURLP building and the Authority's land. The purchase closed as of December 30, 2014. The proceeds from the sale were then used to defease the 2002 Series A and B Bonds. The Authority continued to have rights in the CCURLP entity as of December 31, 2014 as the related debt was not redeemed until February 2015. As of December 31, 2015, the entity continued to exist as a legally-separate entity, although was inactive during 2015. As the Board of

Note 1: Nature of the Authority (continued)

the Authority is the same as the Board of CCURLP and the Authority has operational responsibility for CCURLP, it is considered a blended component unit. CCURLP was formally dissolved November 4, 2016.

The Authority's financial statements do not include the accounts of the New Jersey Community Development Entity ("NJCDE"), a component unit. NJCDE is a separate legal entity whose primary mission is to provide investment capital for low-income communities, on behalf of the Authority, through the allocation of federal New Markets Tax Credits. The Authority does not deem the operations of the NJCDE to be significant to the operations of the Authority. As of December 31, 2016 and 2015, total NJCDE assets were $2,124,875 and $2,312,586, respectively.

Related-Party Transactions

The Authority has contracted with several other State entities to administer certain loan programs on their behalf for a fee. In order for the Authority to effectively administer the programs, the Authority has custody of the cash accounts for each program. The cash in these accounts, however, is not an asset of the Authority and, accordingly, the balances in these accounts have not been included in the Authority's statements of net position. The cash balances total $55,543,111 and $61,633,799 at December 31, 2016 and 2015, respectively. The following is a summary of the programs that the Authority manages on behalf of other State entities:

Department/Board	Program	2016	2015
Treasury	Local Development Financing Fund	**$ 41,632,676**	$ 39,322,320
Board of Public Utilities	BPU Clean Energy Program	**13,910,435**	22,311,479

Note 2: Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

The Authority is a self-supporting entity and follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. While detailed sub-fund information is not presented, separate accounts are maintained for each program and include certain funds that are legally designated as to use. Administrative expenses are allocated to the various programs.

Note 2: Summary of Significant Accounting Policies (continued)

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB").

(b) Revenue Recognition

The Authority charges various program financing fees that may include an application fee, commitment fee, closing fee, issuance fee, annual servicing fee and a document execution fee. The Authority also charges a fee for the administration of financial programs for various government agencies and for certain real estate development and management activities. Fees are recognized when earned. Grant revenue is recognized when the Authority has complied with the terms and conditions of the grant agreements. The Authority recognizes interest income on lease revenue by amortizing the discount over the life of the related agreement. Operating lease revenue is recognized pursuant to the terms of the lease.

When available, it is the Authority's policy to first use restricted resources for completion of specific projects.

(c) Cash Equivalents

Cash equivalents are highly liquid debt instruments with original maturities of three months or less and units of participation in the State of New Jersey Cash Management Fund ("NJCMF").

(d) Investments

All investments, except for investment agreements, are stated at fair value. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. The Authority also invests in various types of joint ventures and uses the cost method to record the acquisition of such investments, as the Authority lacks the ability to exercise significant control in the ventures. Under the cost method, the Authority records the investment at its historical cost and recognizes as income dividends received from net earnings of the Fund. Dividends received in excess of earnings are considered a return of investment and reduce the cost basis. These investments typically have a long time horizon from when the Authority makes its initial investment to when it may receive any return on the investment. The Authority maintains a valuation allowance on specific investments when there is either a series of taxable losses or other factors may indicate that a decrease in value has occurred that is other than temporary. Capital investments are reported net of this valuation allowance.

Note 2: Summary of Significant Accounting Policies (continued)

(e) Guarantees Receivable

Payments made by the Authority under its various guarantee programs are reported as Guarantees Receivable. These receivables are expected to be recovered either from the lender, as the lender continues to service the loan, or from the liquidation of the underlying collateral. Recoveries increase Worth (see Note 8).

(f) Allowance for Doubtful Notes and Accrued Guarantee Losses

Allowances for doubtful notes and accrued guarantee losses are determined in accordance with guidelines established by the Office of Comptroller of Currency. These guidelines include classifications based on routine portfolio reviews of various factors that impact collectability.

(g) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employee Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(h) Operating and Non-Operating Revenues and Expenses

The Authority defines operating revenues and expenses as relating to activities resulting from providing bond financing, direct lending, incentives, and real estate development to commercial businesses, certain not-for-profit entities, and to local, county and State governmental entities. Non-operating revenues and expenses include income earned on the investment of funds, proceeds from the sale of certain assets, State and Federal appropriations and program payments.

(i) Net Position

The Authority classifies its Net Position into three categories: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets includes capital assets net of

Note 2: Summary of Significant Accounting Policies (continued)

accumulated depreciation used in the Authority's operations as well as capital assets that result from the Authority's real estate development and operating lease activities. Restricted net position include net position that have been restricted in use in accordance with State law, as well as Federal grant proceeds intended for specific projects, such as the State Small Business Credit Initiative ("SSBCI"). Unrestricted net position include all net position not included above.

(j) Taxes

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

(k) Capitalization Policy

Unless material, it is the Authority's policy to expense all expenditures of an administrative nature. Administrative expenditures typically include expenses directly incurred to support staff operations, such as automobiles, information technology hardware and software, office furniture, and equipment.

With the exception of immaterial tenant fit-out costs of retail space that is sublet from the State of New Jersey, the Authority capitalizes all expenditures related to the acquisition of land, construction and renovation of buildings.

(l) Depreciation Policy

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the following estimated economic useful lives of the assets:

Building	20 years
Building improvements	20 years
Leasehold improvements	Term of the lease
Tenant fit-out	Term of the lease
Vehicles	Expensed
Furniture and equipment	Expensed

Note 2: Summary of Significant Accounting Policies (continued)

(m) New Accounting Standards Adopted

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. The scope of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements, and other relevant literature*. The provisions of this statement are effective for financial statements for periods beginning after June 30, 2015. The adoption of this statement had an impact on the Authority's disclosures only. See Note 3.

Further, the Authority adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants and establishes criteria for an external investment pool to qualify for making the election to measure all if its investments at amortized cost for financial reporting purposes. The State of New Jersey Cash Management Fund did not meet the criteria and measures investments at fair value. Therefore, as of December 31, 2016, the Authority measured its investments in the pool at fair value, as provided in paragraph 11 of GASB Statement No. 31. See Note 3 for further information.

In March 2016, GASB issued statement No. 82, *Pension Issues.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting Pension Plans*, No. 68 *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of

Note 2: Summary of Significant Accounting Policies (continued)

assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority has chosen to early implement this standard. The adoption of this standard had an impact on the Authority's required supplementary information only.

(n) Recent and Upcoming Accounting Pronouncements

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. This statement will not have an impact on the Authority's financial statements as it does not have component units.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets presenting its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. This statement will not have an impact on the Authority's financial statements as it does not have split-interest agreements.

Note 2: Summary of Significant Accounting Policies (continued)

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority is in the process of evaluating the impact of this statement on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority is in the process of evaluating the impact of this statement on its financial statements.

Note 2: Summary of Significant Accounting Policies (continued)

(o) Reclassifications

Certain reclassifications have been made to prior year balances to conform to current year presentation.

Note 3: Deposits and Investments

(a) Deposits

Operating cash is held in the form of Negotiable Order of Withdrawal ("NOW") accounts and money market accounts. At December 31, 2016, the Authority's bank balance was $24,346,530. Of the bank balance, $750,000 was insured with Federal Deposit Insurance.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Authority's NOW accounts, as well as money market accounts and certificates of deposit, are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Authority would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uninsured, uncollateralized (securities are not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's (NJEDA) name. At December 31, 2016 and 2015, all of the Authority's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk.

Cash deposits at December 31, 2016 and 2015 were as follows:

Deposit Type	2016	2015
NOW Accounts	**$ 13,720,299**	$ 13,647,327
Money Market Accounts	**9,175,248**	9,170,675
Certificates of Deposit	**–**	4,190,357
Total deposits	**$ 22,895,547**	$ 27,008,359

Note 3: Deposits and Investments (continued)

(b) Investments

Pursuant to the Act, the funds of the Authority may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Authority may approve. Accordingly, the Authority directly purchases permitted securities and enters into interest-earning investment contracts.

As of December 31, 2016 the Authority's total investments, excluding capital investments, amounted to $223,199,002. The Authority's investment portfolio ("Portfolio") is comprised of short to medium term bonds and is managed by a financial institution for the Authority. These investments include obligations guaranteed by the U.S. Government, Government Sponsored Enterprises, Money Market Funds, Corporate Debt rated at least AA-/Aa3 by Standard & Poors or Moody's, and Repurchase Agreements. The Portfolio is managed with the investment objectives of: preserving capital, maintaining liquidity, achieving superior yields, and providing consistent returns over time. In order to limit interest rate risk, investments are laddered, with maturities ranging from several months to a maximum of five years.

Investment of bond proceeds is made in accordance with the Authority's various bond resolutions. The bond resolutions generally permit the investment of funds held by the trustee in the following: (a) obligations of, or guaranteed by, the State or the U.S. Government; (b) repurchase agreements secured by obligations noted in (a) above; (c) interest-bearing deposits, in any bank or trust company, insured or secured by a pledge of obligations noted in (a) above; (d) State of New Jersey Cash Management Fund (NJCMF); (e) shares of an open-end diversified investment company which invests in obligations with maturities of less than one year of, or guaranteed by, the U.S. Government or Government Agencies; and (f) non-participating guaranteed investment contracts.

In order to maximize liquidity, the Authority utilizes the NJCMF as an investment. All investments in the NJCMF are governed by the regulations of the State of New Jersey, Department of Treasury, Division of Investment, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries; short-term commercial paper; U.S. Agency Bonds; Corporate Bonds; and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2016 and 2015 the Authority's balance in the NJCMF is $78,077,940 and $51,894,092, respectively.

Note 3: Deposits and Investments (continued)

Custodial Credit Risk

Pursuant to GASB 40, the Authority's investments are profiled to determine if they are exposed to Custodial Credit Risk. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government (NJEDA), and are held by either: the counterparty (institution that pledges collateral to government or that buys/sells investments for government) or the counterparty's trust department or agent but not in the name of the government. Investment pools such as the NJCMF and open ended mutual funds including Mutual Bond Funds are deemed not to have custodial credit risk. As of December 31, 2016 and December 31, 2015, no investments are subject to custodial credit risk as securities in the Portfolio are held in the name of the Authority.

Concentration of Credit Risk

The Authority does not have an investment policy regarding concentration of credit risk, however, the Authority's practice is to limit investments in certain issuers. No more than 10% of the Authority funds may be invested in individual corporate and municipal issuers; and no more than 10% in individual U.S. Government Agencies. At December 31, 2016 more than 5% of the Authority's investments are in: Federal Home Loan Bank ("FHLB"), Federal Farm Credit Bank ("FFCB"), Federal Home Loan Mortgage Corp ("FHLMC"), and Federal National Mortgage Association ("FNMA"). These investments are 6.62% ($15,387,462), 5.59% ($13,005,102), 8.33% ($19,365,014), and 5.11% ($11,897,757), respectively, of the Authority's total investments. These four investments are included in the U.S. Government Agency category of investments. Investments issued by or guaranteed by the U.S. Government, mutual fund investments, and pooled investments are exempt from this requirement.

Credit Risk

The Authority does not have an investment policy regarding the management of Credit Risk, as outlined above. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. All investments in U.S. Agencies are rated Aaa by Moody's and AA+ by Standard & Poor's ("S&P"). The mutual bond fund was rated AAA by S&P. Corporate bonds were rated AA/AA+/AA-, by S&P. Municipal bonds were rated AAA and AA+ by S&P. The NJCMF is not rated.

Note 3: Deposits and Investments (continued)

Interest Rate Risk

The Authority does not have a policy to limit interest rate risk, however, its practice is to hold investments to maturity.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets;
- Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for an asset or liability.

As of December 31, 2016 and 2015, the Authority had the following investments and maturities:

		December 31, 2016			Fair Value as of
Investment Type	**Level**	**Fair Value**	**Investments Less than 1 Year**	**Maturities 1–5 Years**	**December 31, 2015**
Debt Securities:					
U.S. Treasuries	2	**$ 90,174,402**	$ 43,845,436	$ 46,328,966	$ 110,742,530
U.S. Agencies	2	**59,655,335**	20,661,247	38,994,088	53,702,320
Corporate Bonds	2	**65,049,513**	15,218,739	49,830,774	48,572,019
Municipal Bonds	2	**8,319,752**	–	8,319,752	8,300,911
Mutual Bond Funds	1	**68,061**	68,061	–	201,769
NJ Cash Management Fund	2	**78,077,940**	78,077,940	–	51,894,092
Subtotal		**301,345,003**	157,871,423	143,473,580	273,413,641
Less amounts reported as cash equivalents		**(78,146,001)**	(78,146,001)	–	(52,095,861)
Total investments		**$ 223,199,002**	$ 79,725,422	$ 143,473,580	$ 221,317,780

Note 3: Deposits and Investments (continued)

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

The fair value of the NJCMF is based on the published market price on an inactive market as of the measurement date (Level 2 inputs).

(c) Special Purpose Investments

Pursuant to the Authority's mission, from time to time, in order to expand employment opportunities in the State and to spur economic development opportunities, the Authority, with the authorization of the Board, will make special purpose investments. These special purpose investments include the following:

The Authority is a limited partner in various venture funds formed with the primary purpose of providing venture capital to exceptionally talented entrepreneurs dedicated to the application of proprietary technologies or unique services in emerging markets and whose companies are in the expansion stage. At December 31, 2016 and 2015, the aggregate value of the Authority's investment in these funds is $8,906,724 and $7,946,808, respectively. As a limited partner, the Authority receives financial reports from the managing partner of the funds, copies of which may be obtained by contacting the Authority. For the purpose of financial reporting, the ownership in stock or equity interest in connection with economic development activities, such as providing venture capital, does not meet the definition of an investment because the asset is held primarily to further the economic development objectives of the Authority. Accordingly, the Authority uses the cost method as the measurement basis.

At December 31, 2016, the Authority also held other equity investments of $500,900. The investments were held in the form of stock.

Note 4: Notes Receivable

Notes receivable consist of the following:

	December 31 2016	December 31 2015
Economic Development Fund ("EDF") loan program; interest ranging up to 6.1%; maximum term 30 years	**$ 55,121,172**	$ 51,018,169
Economic Recovery Fund ("ERF") loan and guarantee programs; interest ranging up to 9.8%; maximum term of 12 years	**70,485,900**	90,371,127
Hazardous Discharge Site Remediation ("HDSR") loan program; interest ranging up to 5.5%; maximum term of 5 years	**2,279,481**	2,095,834
Municipal Economic Recovery Initiative ("MERI") loan program; interest ranging up to 3.0%; maximum term of 12 years	**645,621**	709,624
Stronger NJ Business (SNJ) loan program; interest ranging up to 1.81%; maximum term of 30 years	**61,515,508**	44,286,465
	$ 190,047,682	$ 188,481,219

Aggregate Notes Receivable activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Loan Disbursements	Loan Receipts	Write-offs, Adjustments, Restructures – Net	Ending Balance	Amounts Due Within One Year
EDF/ERF	$ 141,389,296	$ 20,305,954	$ (30,563,221)	$ (5,524,957)	$ 125,607,072	$ 11,954,146
HDSR	2,095,834	451,605	(267,958)	–	2,279,481	81,253
MERI	709,624	–	(64,003)	–	645,621	66,041
SNJ	44,286,465	18,403,582	(553,469)	(621,070)	61,515,508	2,011,072
	$ 188,481,219	$ 39,161,141	$ (31,448,651)	$ (6,146,027)	$ 190,047,682	$ 14,112,512

Note 5: Leases

(a) Leases Receivable

The Authority has a financing lease relating to the issuance of Bonds and Notes Payable. Bond and Note proceeds finance specific projects. The financing lease provides for basic rental payments, by the tenant to the Authority, in an amount at least equal to the amount of debt service on the Bonds and Notes. In the event of default by the tenant to make rental payments, the Authority generally has recourse, including, but not limited to, taking possession and selling or subletting the leased premises and property.

The outstanding lease is as follows:

Lease Description	**2016**	**2015**
NY Daily News, through January 23, 2021	**$ 7,348,102**	$ 7,448,102
Unamortized discount	**(476,056)**	(595,069)
Aggregate lease payments receivable – net	**$ 6,872,046**	$ 6,853,033

Aggregate lease receipts due through 2021 are as follows:

2017	$ 100,000
2018	100,000
2019	100,000
2020	100,000
2021	6,948,102
	$ 7,348,102

Note 5: Leases (continued)

Lease payments receivable activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Reductions	Ending Balance	Amount Receivable Within One Year
Gross receivable	$ 7,448,102	$ (100,000)	$ 7,348,102	$ 100,000
Discount	(595,069)	119,013	(476,056)	
Net receivable	$ 6,853,033	$ 19,013	$ 6,872,046	

(b) Operating Leases

(i) Authority as Lessor

At December 31, 2016, capital assets with a carrying value of $139,298,539 and accumulated depreciation of $75,143,963 are leased to commercial enterprises. These leases generally provide the tenant with renewal and purchase options. Aggregate minimum lease receipts are expected as follows:

2017	$ 5,737,402
2018	4,332,514
2019	3,518,323
2020	2,899,448
2021	2,595,664
2022–2026	9,545,231
2027–2031	420,300
2032–2036	420,300
2037–2041	420,300
2042–2044	252,180
	$ 30,141,662

Note 5: Leases (continued)

(ii) Authority as Lessee

The Authority leases commercial property, buildings, and office space for use by Authority staff. Aggregate rental expense for the current year amounted to $84,301. Aggregate future lease obligations are as follows:

2017	$ 108,238
2018	110,956
2019	73,760
2020	30,391
2021	23,127
	$ 346,472

Note 6: Capital Assets

Capital asset activity for the years ended December 31, 2016 and 2015 was as follows:

	December 31, 2015	Additions	Reductions	December 31, 2016
Capital assets not being depreciated:				
Land	$ 28,983,065	$ –	$ –	**$ 28,983,065**
Capital assets being depreciated:				
Buildings	98,343,729	–	(11,863,759)	**86,479,970**
Leasehold improvements	47,195,145	–	(12,261,940)	**34,933,205**
Capital assets – gross	174,521,939	–	(24,125,699)	**150,396,240**
Less: accumulated depreciation	88,369,229	6,013,587	(11,295,552)	**83,087,264**
Capital assets – net	$ 86,152,710	$ (6,013,587)	$ (12,830,147)	**$ 67,308,976**

	December 31, 2014	Additions	Reductions	December 31, 2015
Capital assets not being depreciated:				
Land	$ 27,582,065	$ 1,401,000	$ –	$ 28,983,065
Construction in progress	3,345	–	(3,345)	–
Capital assets being depreciated:				
Buildings	98,343,729	–	–	98,343,729
Leasehold improvements	47,195,145	–	–	47,195,145
Capital assets – gross	173,124,284	1,401,000	(3,345)	174,521,939
Less: accumulated depreciation	81,752,501	6,616,728	–	88,369,229
Capital assets – net	$ 91,371,783	$ (5,215,728)	$ (3,345)	$ 86,152,710

Note 6: Capital Assets (continued)

In 2016, the Authority sold a five-story building, located in the City of Camden, known as the Waterfront Technology Center in Camden ("WTCC"), to the County of Camden, for the sale price of $18 million. The WTCC was previously built by the Authority and used for both Authority staff and rental office space for technology related businesses. The County of Camden will use the building for county offices.

In 2015, the Authority purchased a 4-acre tract of land in the City of Camden, from the Parking Authority of the City of Camden at a purchase price of $1.4 million. The land, which had been used as a surface parking lot, will be used for commercial development, consistent with the Authority's mission.

Note 7: Notes Payable

Generally, Notes Payable are special obligations of the Authority payable solely from loan payments, lease rental payments and other revenues, funds and other assets pledged under the notes and do not constitute obligations against the general credit of the Authority. Note proceeds are used to fund specific programs and projects and are not commingled with other Authority funds.

The outstanding notes are as follows:

	December 31 2016	December 31 2015
Community Development Investments, LLC; interest at 5%; principal and interest due monthly with payments based solely on receipt of surcharge revenue. The note was scheduled to mature on 5/12/14; however, full repayment is subject to receipt of surcharge revenue.	**$ 2,000,000**	$ 2,000,000
City of Camden, NJ; interest at 6%; principal and interest due monthly with payments based solely on receipt of surcharge revenue. The note was scheduled to mature on 2/5/16; however, full repayment is subject to receipt of surcharge revenue.	**264,426**	1,296,679
FirstEnergy Corp./JCP&L; interest at 3%; interest only due monthly through 11/12/20; principal due at maturity on 11/12/20. Paid in full on 4/13/16	**–**	1,000,000
Public Service New Millennium Economic Development Fund, LLC; interest at 2%; interest only due monthly through 11/7/20; principal due at maturity on 11/7/20; paid in full on 4/12/16	**–**	5,000,000
	$ 2,264,426	$ 9,296,679

Note 7: Notes Payable (continued)

At December 31, 2016, aggregate debt service requirements of notes payable through 2019 are as follows:

	Principal	Interest	Total
2017	$ 973,415	$ 148,282	$ 1,121,697
2018	1,025,935	49,065	1,075,000
2019	265,076	6,664	271,740
Total	$ 2,264,426	$ 204,011	$ 2,468,437

Notes payable activity for the years ended December 31, 2016 and 2015 was as follows:

December 31, 2015	Additions	Reductions	December 31, 2016	Amounts Due Within One Year
$ 9,296,679	$ –	$ (7,032,253)	**$ 2,264,426**	$ 973,415

December 31, 2014	Additions	Reductions	December 31, 2015	Amounts Due Within One Year
$ 10,136,737	$ –	$ (840,058)	$ 9,296,679	$ 656,015

Note 8: Commitments and Contingencies

(a) Loan and Bond Guarantee Programs

The Authority has a special binding obligation regarding all guarantees to the extent that funds are available in the guarantee accounts as specified in the guarantee agreements. Guarantees are not, in any way, a debt or liability of the State.

Note 8: Commitments and Contingencies (continued)

(1) Economic Recovery Fund

The guarantee agreements restrict the Authority from approving any loan or bond guarantee if, at the time of approval, the Debt (exposure and commitments) to Worth (the amount on deposit and available for payment) ratio is greater than 5 to 1. At any time, payment of the guarantee is limited to the amount of Worth within the guarantee program account. Principal payments on guaranteed loans and bonds reduce the Authority's exposure. At December 31, 2016, Debt was $11,339,772 and Worth was $175,231,219, with a ratio of 0.06 to 1.

(2) New Jersey Business Growth Fund

The Authority guarantees between 25% and 50% of specific, low-interest loans to New Jersey companies, made by one of its preferred lenders, with a maximum aggregate exposure to the Authority not to exceed $10 million and, at no time will the Authority pay more than $10 million, net, of guarantee demands. At December 31, 2016, aggregate exposure and related worth within the Business Growth Fund account are both $5,846,727.

(3) New Jersey Global Growth Fund

The Authority guarantees up to 50% of any approved term loan or line of credit to New Jersey companies, made by one of its premier lenders, with a maximum aggregate exposure to the Authority not to exceed $10 million and, at no time will the Authority pay more than $10 million, net, of guarantee demands. At December 31, 2016, aggregate exposure and related worth within the NJ Global Growth Fund account are both $10,000,000.

(4) State Small Business Credit Initiative Fund

The Federal grant agreement restricts the Authority from approving any loan or bond guarantee if, at the time of approval, the Debt (exposure and commitments) to Worth (the amount on deposit and available for payment) ratio is greater than 1 to 1. At any time, payment of the guarantee is limited to the amount of Worth within the State Small Business Credit Initiative Fund. At December 31, 2016, Debt was $3,353,385 and Worth was $10,281,580, with a ratio of 0.33 to 1.

Note 8: Commitments and Contingencies (continued)

(b) Loan Program Commitments and Project Financings

At December 31, 2016, the Authority has $12,786,430 of loan commitments not yet closed or disbursed and $86,556,982 of project financing commitments.

(c) New Markets Tax Credit Program

On December 28, 2005, the Authority loaned $31,000,000 to a limited liability company ("company"), to facilitate their investment in a certified community development entity ("entity") whose primary mission is to provide loan capital for commercial projects in low-income areas throughout New Jersey. The company also received an equity investment from a private corporation ("corporation"). The company then invested the combined proceeds in the entity, which was awarded an allocation in Federal tax credits under the New Markets Tax Credit Program.

During 2007, the Authority made two additional New Markets commitments. On September 24, 2007 the Authority facilitated a transaction in which $3,500,000 in credits were allocated (no Authority funds were utilized). On September 26, 2007, the Authority loaned $20,296,000 to another company with terms similar to the first transaction.

During 2008, the Authority closed three additional New Markets commitments. A total of $37,000,000 in credits were allocated (no Authority funds were utilized).

In 2009, one New Markets commitment was closed. A total of $12,419,151 in credits were allocated (no Authority funds were utilized).

On February 28, 2013, the first New Markets loan pool, created in 2005, ceased operations, as the investor exercised its option to sell its membership interest.

On September 29, 2014, the second New Markets loan pool, created in 2007, ceased operations, as that investor also exercised its option to sell its membership interest.

As part of the remaining agreements, the corporation will claim the Federal tax credits in exchange for their investment. Claiming these credits carries the risk of recapture, whereby an event occurs that would negate the credit taken, causing it to be returned with interest. Based on the agreements

Note 8: Commitments and Contingencies (continued)

between the Authority and the respective companies, the Authority will provide a guaranty to the corporation against adverse consequences caused by a recapture event. As of December 31, 2016 the aggregate exposure to the Authority for the remaining transactions described above is $11,000,000. The Authority has determined the likelihood of paying on the guaranty, at this time, is remote.

Note 9: State and Federal Appropriations and Program Payments

The Authority receives appropriations from the State of New Jersey, as part of the State's annual budget, for purposes of administering certain grant programs enacted by State statute, and has also received appropriations from the United States Department of Housing and Urban Development, via the State of New Jersey, for purposes of administering certain loan and grant programs in connection with the aftermath of Superstorm Sandy in October 2012. The Authority recognizes the disbursement of these funds to grantees as program payments. For the year ended December 31, 2016 state and federal appropriations and program payments were $19,703,582, $44,240,190, and $73,268,795, respectively.

Note 10: Litigation

The Authority is involved in several lawsuits that, in the opinion of the management of the Authority, will not have a material effect on the accompanying financial statements.

Note 11: Employee Benefits

(a) Public Employees Retirement System of New Jersey ("PERS")

The Authority's employees participate in the PERS, a cost sharing multiple-employer defined benefit plan administered by the State. The Authority's contribution is based upon an actuarial computation performed by the PERS. Employees of the Authority are required to participate in the PERS and contribute 7.20% of their annual compensation. The PERS also provides death and disability benefits. All benefits and contribution requirements are established, or amended, by State statute.

Note 11: Employee Benefits (continued)

Benefits Provided

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

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 2, 2008
3	Members who were eligible to enroll 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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 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 tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62, and tier 5 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. 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.

Contributions Made

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year ended June 30, 2016, and is 7.20% as of

Note 11: Employee Benefits (continued)

December 31, 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Authority's contractually required contribution rate for the year ended December 31, 2016 and 2015, was 12.38% and 11.80% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $1,866,720 and $1,260,522 for the years ended December 31, 2016 and 2015.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

GASB 68 requires the Authority to recognize a net pension liability for the difference between the present value of the projected benefits for past service, known as the Total Pension Liability ("TPL"), and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position ("FNP").

At December 31, 2016 and 2015, the Authority reported a liability of $67.1 million and $48.7 million for its proportionate share of the net pension liability for PERS. The net pension liability was measured as of June 30, 2016 and June 30, 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2015 and July 1, 2014. The actuarial valuations were rolled forward to June 30, 2016 and June 30, 2015 using update procedures. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contribution to the pension plans relative to the projected contributions of all participating State agencies, actuarially determined. At December 31, 2016, the Authority's proportion was .22645% which was an increase of .00932% from its proportion measured as of December 31, 2015.

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of $8,811,092 and $4,811,804 for PERS. Pension expense is reported in the Authority's financial statements as part of salaries and benefits expense.

Note 11: Employee Benefits (continued)

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 2,557,373	$ –
Changes of assumptions or other inputs	13,892,958	–
Changes in proportion	9,763,100	–
Difference between expected and actual experience	1,247,266	–
Contributions subsequent to the measurement date	2,011,757	–
	$ 29,472,454	$ –

Deferred outflows of resources of $2,011,757 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year 1 (2017)	$ 6,704,112
Year 2 (2018)	6,704,112
Year 3 (2019)	6,704,112
Year 4 (2020)	5,899,767
Year 5 (2021)	1,448,594
	$ 27,460,697

At December 31, 2015, the Authority reported deferred outflows of resources of $18,728,245 and deferred inflows of resources of $783,660.

Note 11: Employee Benefits (continued)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined based on an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016 using update procedures. The key actuarial assumptions are summarized as follows:

Inflation:	3.08%
Salary increase:	1.65%–5.15%
Investment rate of return:	7.65%
Cost of living adjustment	No cost of living adjustment is assumed

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Discount Rate

The discount rate used to measure the total pension liability was 3.98% and 4.90% at June 30, 2016 and June 30, 2015. This single blended discount rate was based on the long term rate of return of 7.65% and the municipal bond rates of 2.85% and 3.80% as of June 30, 2016 and 2015 respectively, 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 contribution percentage is the average percentage of the annual actual contribution paid over the annual actuarially determined contribution during the most recent fiscal year. Based on those assumptions, the pension Plan’s fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through fiscal year 2034.

Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 11: Employee Benefits (continued)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
PERS:		
Cash	5.00%	0.87%
U.S Treasuries	1.50	1.74
Investment Grade Credit	8.00	1.79
Mortgages	2.00	1.67
High Yield Bonds	2.00	4.56
Inflation-Indexed Bonds	1.50	3.44
Broad US Equities	26.00	8.53
Developed Foreign Equities	13.25	6.83
Emerging Market Equities	6.50	9.95
Private Equity	9.00	12.40
Hedge Funds/Absolute Return	12.50	4.68
Real Estate (Property)	2.00	6.91
Commodities	0.50	5.45
Global Debt ex US	5.00	(0.25)
REIT	5.25	5.63

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.98% for PERS as well as the proportionate share of the net pension liability using a 1.00 percent increase or decrease from the current discount rate as of December 31, 2016:

	1% Decrease	Discount Rate	1% Increase
PERS (2.98%, 3.98%, 4.98%)	$ 82,184,307	$ 67,068,246	$ 54,588,627

Note 11: Employee Benefits (continued)

Detailed information about the Plan's fiduciary net position is available in a separately issued financial report. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the PERS. Information on the total Plan funding status and progress, required contributions and trend information is available on the State's web site at www.state.nj.us/treasury/pensions/annrprts.shtml in the Comprehensive Annual Financial Report of the State of New Jersey, Division of Pensions and Benefits.

(b) Postemployment Health Care and Insurance Benefits

The Authority sponsors a single employer postemployment benefits plan that provides benefits in accordance with State statute, through the State Health Benefits Bureau, to its retirees having 25 years or more of service in the PERS, and 30 years or more of service if hired after June 28, 2011, or to employees approved for disability retirement. Health benefits and prescription benefits provided by the plan are at no cost to eligible retirees who had accumulated 20 years of service credit as of June 30, 2010. All other future retirees will contribute to a portion of their health and prescription premiums. Upon turning 65 years of age, a retiree must utilize Medicare as their primary coverage, with State Health Benefits providing supplemental coverage. In addition, life insurance is provided at no cost to the Authority and the retiree in an amount equal to 3/16 of their average salary during the final 12 months of active employment.

Since the Authority is a participating employer in the State Health Benefits Bureau, the Authority does not issue a separate stand-alone financial report regarding other postemployment benefits. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements for the State Health Benefits Program Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

The State has the authority to establish and amend the benefit provisions offered and contribution requirements.

Pursuant to GASB Statement No. 45 ("GASB 45"), *Accounting & Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Authority obtained an actuarially determined calculation for this obligation, and has established and funded an irrevocable trust for the payments required by this obligation.

Note 11: Employee Benefits (continued)

The Authority's annual other postemployment benefits ("OPEB") cost for the plan is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB 45. This represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and to amortize any unfunded actuarial accrued liability ("UAAL") or excess over a period not to exceed 30 years. The Authority elected to amortize the UAAL over one year in 2006. The Authority's annual OPEB cost for the years ended December 31, 2016 and 2015, and the related information for the Plan are as follows (dollar amounts in thousands):

	2016	**2015**
Annual required contribution (ARC)	**$ 1,162**	$ 9,014
Contributions made	**1,162**	9,014
(Decrease) increase in net OPEB obligation	**–**	–
Net OPEB obligation – beginning of year	**–**	–
Net OPEB obligation – end of year	**$ –**	$ –

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal years 2016, 2015 and 2014 are as follows (dollar amounts in thousands):

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
December 31, 2016	$ 1,162	100.0%	$ –
December 31, 2015	9,014	100.0%	–
December 31, 2014	891	135.2%	–

As of December 31, 2016, the actuarial accrued liability for benefits was $30,100,655, none of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $16,245,862, and the ratio of unfunded actuarial accrued liability to the covered payroll was 46.8%.

Note 11: Employee Benefits (continued)

To fund its OPEB obligation, the Authority has established an irrevocable trust and set aside monies (plan assets) in a bank account administered by a Trustee for the payment of future OPEB obligations. As of December 31, 2016, the balance was $31,956,153 and investment earnings on the account were $381,575 in 2016. The plan assets are reported at fair value.

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of future events, such as employment, mortality, and healthcare costs. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made regarding the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit cost sharing between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. In this method benefits are attributed from date of hire to the date of decrement. In the actuarial assumptions the investment return on plan assets was projected at an annual rate of 4%. The healthcare cost trend assumed in the actuarial valuation includes an initial annual healthcare cost trend rate of 7.5% annually, decreasing by 0.5% per year to an ultimate rate of 5% effective 2020 and thereafter. Both rates include a 4% inflation assumption. The unfunded actuarial accrued liability is being amortized over a 30-year closed period on a level-dollar basis.

Note 12: Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Authority recorded current liabilities in the amount of $985,155 and $916,415 as of December 31, 2016 and 2015, respectively. The liability as of those dates is the value of employee accrued

Note 12: Compensated Absences (continued)

vacation time and vested estimated sick leave benefits that are probable of payment to employees upon retirement. The vested sick leave benefit to eligible retirees for unused accumulated sick leave is calculated at the lesser of ½ the value of earned time or $15,000. The payment of sick leave benefits, prior to retirement, is dependent on the occurrence of sickness as defined by Authority policy; therefore, such non-vested benefits are not accrued.

Note 13: Long-Term Liabilities

During 2016, the following changes in long-term liabilities are reflected in the statement of net position:

	Beginning Balance	Additions	Deductions	Ending Balance
Net pension liability	$ 48,740,925	$ 18,327,321	$ –	$ 67,068,246
Notes payable	8,640,664	–	(7,349,653)	1,291,011
Unearned lease revenue	10,011,555	–	(1,053,848)	8,957,707
Accrued guarantee losses	1,382,681	411,425	(617,832)	1,176,274
Compensated absences	916,415	97,985	(29,245)	985,155
Total long-term liabilities	$ 69,692,240	$ 18,836,731	$ (9,050,578)	$ 79,478,393

For further information, see Notes 7 and 11.

Note 14: Subsequent Events

On May 11, 2017, the Board approved the actions associated with and necessary to the adoption and issuance of the NJEDA/State Lease Revenue Bonds 2017 Series and State Leasing Revenue Refunding Bonds 2017 Series in the maximum aggregate principal amounts of $300,000,000 and $75,000,000, respectively, including the forms of the lease, sublease and bond purchase contract and related items. The proceeds from the sale of the bonds will be used to finance the renovations and restoration of the Statehouse. The associated debt resulting from the issuance of these bonds is conduit to the Authority and is an obligation of the State of New Jersey and not the Authority. The required debt service payments and other contractual payments are subject to, and dependent upon, yearly appropriations being made by the State Legislature for such purposes.

Required Supplementary Information

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Schedule of Funding Progress of the Postemployment Healthcare Plan

The funding status of the postemployment health care plan as of December 31, 2016 (based on January 1, 2015 valuation date), and the preceding two actuarial valuation dates of January 1, 2012 and 2009 are as follows (dollars in thousands):

Actuarial Valuation Date	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (AAL) (b)**	**Unfunded Actuarial Accrued Liability (UAAL) (b-a)**	**Funded Ratio (a/b)**	**Covered Payroll (c)**	**UAAL as a Percent of Covered Payroll (b-a)/(c)**
1/1/2015	$ 22,498	$ 30,101	$ 7,603	74.7%	$ 15,819	48.1%
1/1/2012	18,374	20,794	2,420	88.4	10,472	23.1
1/1/2009	13,363	16,299	2,936	82.0	11,507	25.5

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Schedule of the Authority's Proportionate Share of the Net Pension Liability

	2016 PERS	**2015 PERS**
Authority's proportion of the net pension liability	**0.22645%**	0.21713%
Authority's proportionate share of the net pension liability	**$ 67,068,246**	$ 48,740,925
Authority's covered-employee payroll	**$ 16,245,862**	$ 15,434,227
Authority's proportionate share of the net pension liability as a percentage as a percentage of its covered-employee payroll	**412.83%**	315.80%
Plan fiduciary net position as a percentage of the total pension liability	**31.20%**	38.21%

The amounts presented for each fiscal year were determined as of June 30.

New Jersey Economic Development Authority
(a component unit of the State of New Jersey)

Schedule of the Authority's Contributions to the Public Employees' Retirement System (PERS)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	**$ 2,011,757**	$ 1,866,720	$ 1,260,522	$ 1,137,100	$ 1,188,900	$ 1,262,300	$ 1,292,500	$ 1,029,900	$ 743,700	$ 549,444
Contributions in relation to the contractually required contribution	**2,011,757**	1,866,720	1,260,522	1,137,100	1,188,900	1,262,300	1,292,500	1,029,900	743,700	549,444
Contribution deficiency (excess)	**$ –**	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Authority's covered employee payroll	**$16,245,862**	$ 15,818,820	$ 14,535,358	$ 10,970,510	$ 10,472,305	$ 12,062,333	$ 13,183,135	$ 13,769,583	$ 11,114,716	$ 9,333,073
Contributions as a percentage of covered employee payroll	**12.38%**	11.80%	8.67%	10.37%	11.35%	10.46%	9.80%	7.48%	6.69%	5.89%

Notes to Schedule of the Authority's Contributions to the Public Employees' Retirement System (PERS)

Notes to Schedule:

Valuation Date	Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine the actuarially determined employer contributions are as follows:

Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Dollar Amortization
Remaining Amortization Period	30 years
Asset Valuation Method	A five year average of market value
Investment Rate of Return	7.65% for 2016, 7.9% for 2015, 2014 and 2013, 7.95% for 2012, 8.25% for 2011, 2010 2009, 2008, 2007 and 2006
Inflation	3.01%
Salary Increases	1.65% – 5.15% for 2016, 2.15% – 5.40% for 2015 through 2013, 4.52% for 2012, 5.45% for 2011, 2010 2009, 2008, 2007 and 2006
Mortality	RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

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