NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)

FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

Financial Statements

Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

Management and Members
of the New Jersey Economic Development Authority
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary funds of the New Jersey Economic Development Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2020, 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 accounting principles generally accepted in the United States of America. Management is also responsible for 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 of America. 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.

PKF O'CONNOR DAVIES, LLP
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary funds of the Authority as of December 31, 2020, 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.

Prior Period Financial Statements

The financial statements of the Authority as of December 31, 2019, were audited by other auditors whose report dated October 21, 2020, expressed an unmodified opinion on those statements in accordance with accounting principles generally accepted in the United States of America. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in the Authority's net postemployment benefits other than pensions ("OPEB") liability, the schedule of investment returns, the schedule of the Authority's OPEB contributions, 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
November 24, 2021

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, 2020 and 2019. 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.

2020 FINANCIAL HIGHLIGHTS

- The Authority’s total net position increased $30.4 million (or 5.97%) due to receipt of Federal CARES Act funds for COVID-19 emergency assistance programs, all of which had not been disbursed before the end of the year.

- The net pension liability decreased $1.5 million (or 3.65%) due to a change in the Authority’s proportionate share of the State of New Jersey’s net pension liability.

- Finance fees decreased $2.5 million (or 34.4%) due largely to declining volume of activity in specific incentive programs the Authority administers and because of a general decline in program activity related to the COVID-19 pandemic.

- Other operating revenue decreased $18.5 million (or 40.53%) as the Authority did not receive distributions from specific venture fund investments in which it is a limited partner as it had in the prior year.

- Interest income from investments increased $1.6 million (or 23.63%) due to trading of certain investments to take advantage of higher rates. Typically, the Authority would hold such investments to maturity.

- Federal appropriations increased $241.6 million (or 1,135.8%), State appropriations increased $31.6 million (or 251.2%) and program payments increased $209.4 million (or 561.2%) due largely to the receipt and subsequent disbursement of CARES Act funds for business emergency assistance programs as well as increase in the volume of disbursements related to the Superstorm Sandy program and other State programs.

2019 FINANCIAL HIGHLIGHTS

- The Authority's total net position increased $1.1 million (or 0.2%) as an increase in operating revenues were nearly offset by a decrease in nonoperating revenues.

- The net pension liability decreased $4.5 million (or 9.8%) due to a change in the Authority's proportionate share of the State of New Jersey's net pension liability.

- Finance fees decreased $2.9 million (or 28.2%) due largely to declining volume of activity in the Grow NJ and Economic Recovery & Growth incentive programs the Authority administers.

- Other operating revenue increased $19.8 million (or 175.8%) as the Authority received distributions from specific venture fund investments in which it is a limited partner.

- Interest income from investments increased $2.2 million (or 48.4%) due to an increase in interest rates, coupled with the maturity and roll-off of specific investments being replaced by similar investments at higher rates.

- Federal appropriations decreased $3.0 million (or 88.44%), State appropriations decreased $9.8 million (or 43.9%) and program payments decreased $8.7 million (or 19.0%) due largely to the volume of disbursements declining within the Superstorm Sandy program and other State programs.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position. The following table summarizes the changes in Net Position at December 31, 2020, 2019 and 2018:

	2020	2019	2018	% Increase/(Decrease) 2020/2019	2019/2018
Assets:					
Other assets	**$ 583,610,627**	$ 546,326,742	$ 517,908,736	6.8 %	5.5%
Capital assets, net	**50,321,242**	53,323,893	56,654,856	(5.6)%	(5.9)%
Total assets	**633,931,869**	599,650,635	574,563,592	5.7%	4.4%
Deferred outflows of resources:					
Deferred outflow related to pension	**8,244,673**	10,270,840	16,891,150	(19.7)%	(39.2)%
Deferred outflow related to OPEB		118,214	1,868,724	(100.0)%	(93.7)%
Total deferred outflows of resources	**8,244,673**	10,389,054	18,759,874	(20.6)%	(44.6)%
Liabilities:					
Current liabilities	**14,344,401**	15,207,228	11,784,097	(5.7)%	29.0%
Net pension liability	**40,017,678**	41,533,862	46,021,947	(3.7)%	(9.8)%
Other noncurrent liabilities	**11,136,000**	7,275,720	8,451,469	53.1%	(13.9)%
Total liabilities	**65,498,079**	64,016,810	66,257,513	2.3%	(3.4)%
Deferred inflows of resources:					
Deferred inflow related to pension	**17,682,219**	16,307,759	15,972,223	8.4%	2.1%
Deferred inflow-OPEB	**19,775,859**	20,856,517	3,356,627	(5.2)%	521.4%
Total deferred inflows of resources	**37,458,078**	37,164,276	19,328,850	0.8%	92.3%
Net position:					
Net investment in capital assets	**50,321,242**	53,323,893	56,654,856	(5.6)%	(5.9)%
Restricted	**31,401,070**	35,304,801	34,125,434	(11.1)%	3.5%
Unrestricted	**457,498,073**	420,229,909	416,956,813	8.9%	0.8%
Total net position	**$ 539,220,385**	$ 508,858,603	$ 507,737,103	6.0%	0.2%

During 2020, the Authority's combined net position increased by $30.4 million due to:

$ 20.5	Million	Federal CARES Act appropriations received for COVID-19 programs – net of disbursements
$ (11.9)	Million	Use of Authority funds for specific COVID-19 business emergency programs
$ 14.0	Million	Net receipts from CDBG-Disaster Recovery funds for the Stronger NJ Business programs

$	10.2	Million	Petroleum Underground Storage Tank Program ("PUST") appropriations received – net of disbursements
$	(4.1)	Million	Decline in Capital Assets from scheduled depreciation
$	1.7	Million	Net receipts relating to other Authority programs

During 2019, the Authority's combined net position increased by $1.1 million due to:

$	1.1	Million	Hazardous Discharge Site Remediation Fund ("HDSRF") appropriations received – net of disbursements
$	(3.3)	Million	Decline in Capital Assets from scheduled depreciation
$	(0.4)	Million	Municipal Economic Recovery Initiative grant award payments
$	4.6	Million	Net receipts from CDBG-Disaster Recovery funds for the Stronger NJ Business programs
$	(3.5)	Million	Petroleum Underground Storage Tank Program ("PUST") disbursements – net of appropriations received
$	2.4	Million	Net receipts relating to other Authority 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 who are 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 2020, 2019 and 2018:

				% Increase/(Decrease)	
	2020	**2019**	**2018**	**2020/2019**	**2019/2018**
Operating revenues:					
Financing fees	**$ 4,785,032**	$ 7,296,736	$ 10,158,909	(34.4)%	(28.2)%
Lease revenue	**9,075,335**	8,775,690	9,391,891	3.4%	(6.6)%
Interest income:					
Notes	**6,100,777**	5,718,740	5,226,030	6.7%	9.4%
Other	**11,948,098**	31,114,103	11,281,138	(61.6)%	175.8%
Total operating revenues	**31,909,242**	52,905,269	36,057,968	(39.7)%	46.7%
Operating expenses:					
Administrative expenses	**38,431,725**	35,500,163	34,832,148	8.3%	1.9%
Interest expense	**24,033**	-	38,375	100.0%	(100.0)%
Depreciation	**4,103,579**	4,426,939	5,180,660	(7.3)%	(14.5)%
Loss provisions – net	**13,084,927**	6,980,276	7,121,995	87.5%	(2.0)%
Program costs	**15,984,593**	12,827,424	12,541,276	24.6%	2.3%
Total operating expenses	**71,628,857**	59,734,802	59,714,454	19.9%	0.0%
Operating (loss)	**(39,719,615)**	(6,829,533)	(23,656,486)	481.6%	(71.1)%
Nonoperating revenues and (expenses):					
Interest income – investments	**8,429,718**	6,818,246	4,593,548	23.6%	48.4%
State appropriations	**44,145,976**	12,569,844	22,391,323	251.2%	(43.9)%
Program payments	**(246,715,423)**	(37,311,816)	(46,047,970)	561.2%	(19.0)%
Federal appropriations	**262,821,945**	21,266,933	39,097,632	1135.8%	(45.6)%
Gain on sale of assets	**-**	-	217,110	0.0%	(100.0)%
Other revenue (expense)	**1,399,181**	4,607,826	645,314	(69.6)%	614.0%
Total nonoperating revenues and (expenses), net	**70,081,397**	7,951,033	20,896,957	781.4%	(62.0)%
Change in net position	**30,361,782**	1,121,500	(2,759,529)	2607.2%	(140.6)%
Beginning net position	**508,858,603**	507,737,103	510,496,632		
Ending net position	**$ 539,220,385**	$ 508,858,603	$ 507,737,103		

Operating Revenues

In 2020, the Authority's operating revenues declined from the prior year due largely to a decrease in distributions from specific venture fund investments in which the Authority is a limited partner. These distributions are unpredictable from year to year. In addition, finance fees decreased by $2.5 million due to a decline in the volume of activity as a result of the COVID-19 pandemic.

In 2019, the Authority's operating revenues were favorably impacted by an increase in distributions from specific venture fund investments in which the Authority is a limited partner. Such distributions totaled $19.9 million. This was offset by a decrease in finance fees of $2.9 million due to a decline in the volume of activity for specific incentive programs.

Operating Expenses

In 2020, total operating expenses increased as a result of the Authority's response to the COVID-19 pandemic. Loss provisions expense increased as a result of new emergency response loan and guarantee initiatives, while administrative expenses and program costs increased due to additional staff and related costs needed to stand up and deploy these new initiatives.

In 2019, total operating expenses were level, due largely to a decrease in the Authority's proportionate share of the State's pension liability which was partially offset by an increase in program costs related to economic development strategy planning for the Authority, as well as disbursements to businesses for new initiatives. Additional costs were incurred related to the remediation and reuse of parcels of land located at the former Fort Monmouth military base.

Non-Operating Revenues and Expenses – Net

In 2020, non-operating revenues and expenses – net, increased by $62.1 million, due to the timing of receipts and disbursements of federal CARES Act funding related to the COVID-19 pandemic, as well as for the Stronger NJ Business programs.

In 2019, non-operating revenues and expenses – net, decreased by $12.9 million, although still remained as net revenue, as federal appropriations related to the administration of the Stronger NJ Business programs declined by $17.8 million, due to declining program volume. This was partially offset by an increase of $2.2 million in interest income on cash and investments.

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, 2018 through December 31, 2020:

2018 Provision for credit losses-net	$ 5,985,375	
2018 Write-offs	(3,402,424)	$ 2,582,951
December 31, 2018		
Allowance for loan losses	28,316,644	
Accrued guarantee losses	427,609	
Total allowance		28,744,253
2019 Provision for credit losses-net	6,368,872	
2019 Write-offs	(2,727,236)	3,641,636
December 31, 2019		
Allowance for loan losses	32,129,189	
Accrued guarantee losses	256,700	
Total allowance		32,385,889
2020 Provision for credit losses-net	11,889,388	
2020 Write-offs	(5,538,442)	6,350,946
December 31, 2020		
Allowance for loan losses	34,226,582	
Accrued guarantee losses	4,510,253	
Total allowance		$ 38,736,835

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, 2020 was $246,364,586, of which $233,224,548 or 95% is for loans and $13,120,038 for issued loan guarantees.

Aggregate gross loan and guarantee exposure at December 31, 2019 was $226,967,280, of which $223,024,680 or 98% is for loans and $3,942,600 for issued loan guarantees.

At December 31, 2020, the Authority maintained a Credit Loss Allowance of $38,736,835 or 15.7% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2020, were $5,538,442 or 2.2% of the loan and guaranty exposure.

At December 31, 2019, the Authority maintained a Credit Loss Allowance of $32,385,889 or 14.3% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2019, were $2,727,236 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 2020 Loss Provisions – Net, of $12.4 million, are related to the following detailed information:

$	11,889,388	Loan and Guarantee Program activity
$	502,487	Venture Capital Funds and Capital Investments

The 2019 Loss Provisions – Net, of $6.5 million, are related to the following detailed information:

$	6,368,872	Loan and Guarantee Program activity
$	170,680	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 2020, 2019 and 2018:

	2020	2019	2018	% Increase/(Decrease) 2020/2019	2019/2018
Land	**$ 28,818,065**	$ 28,818,065	$ 28,818,065	0.0%	(0.0)%
Construction in progress	**800,253**	–	–	100.0%	0.0%
Total non-depreciable capital assets	**29,618,318**	28,818,065	28,818,065	2.8%	0.0%
Building	**81,722,446**	81,722,446	81,722,446	0.0%	0.0%
Leasehold improvements	**36,607,308**	36,306,634	35,210,658	0.8%	3.1%
Total depreciable capital assets	**118,329,754**	118,029,080	116,933,104	0.3%	0.9%
Less accumulated depreciation	**(97,626,830)**	(93,523,252)	(89,096,313)	4.4%	5.0%
Capital assets – net	**$ 50,321,242**	$ 53,323,893	$ 56,654,856	(5.6)%	(5.9)%

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 no gross note principal outstanding; unchanged from the prior year.

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	
	2020	**2019**
Assets		
Current assets:		
Cash and cash equivalents – restricted	**$ 69,902,711**	$ 47,347,369
Cash and cash equivalents – unrestricted	**90,794,025**	27,939,877
Investments	**30,304,002**	51,919,603
Receivables:		
Notes	**28,570,645**	17,043,315
Accrued interest on notes	**807,122**	168,999
Accrued interest on investments	**945,445**	1,221,274
Leases	**-**	100,000
Other receivables	**3,120,851**	2,033,737
Total receivables	**33,444,063**	20,567,325
Pre-paids and other current assets	**365,148**	1,184,752
Total current assets	**224,809,949**	148,958,926
Noncurrent assets:		
Investments – unrestricted	**155,544,773**	185,989,814
Venture capital partnerships	**10,306,149**	9,520,862
Receivables:		
Notes	**204,673,904**	205,980,967
Accrued interest on notes	**438,206**	480,511
Unamortized discount	**(419,386)**	(171,518)
Total notes receivables	**204,692,724**	206,289,960
Allowance for doubtful notes	**(34,226,582)**	(32,129,189)
Net notes receivable	**170,466,142**	174,160,771
Leases receivable, net	-	6,829,088
Total receivables	**170,466,142**	180,989,859
Net other postemployment benefits asset	**22,002,971**	20,336,444
Pre-paids and other noncurrent assets	**480,643**	530,837
Non-depreciable capital assets	**29,618,318**	28,818,065
Depreciable capital assets, net	**20,702,924**	24,505,828
Total capital assets, net	**50,321,242**	53,323,893
Total noncurrent assets	**409,121,920**	450,691,709
Total assets	**633,931,869**	599,650,635
Deferred outflows of resources		
Deferred outflows from pension	**8,244,673**	10,270,840
Deferred outflows from OPEB	**-**	118,214
Total deferred outflows of resources	**8,244,673**	10,389,054

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

Statements of Net Position (continued)

	December 31	
	2020	**2019**
Liabilities		
Current liabilities:		
Accrued liabilities	**$ 8,534,922**	$ 10,943,949
Unearned lease revenues	**1,195,619**	1,217,416
Escrow deposits	**4,613,860**	3,045,863
Total current liabilities	**14,344,401**	15,207,228
Noncurrent liabilities:		
Net pension liability	**40,017,678**	41,533,862
Unearned lease revenues	**4,742,315**	5,797,162
Accrued guarantee losses	**4,510,253**	256,700
Compensated absences	**1,883,432**	1,221,858
Total noncurrent liabilities	**51,153,678**	48,809,582
Total liabilities	**65,498,079**	64,016,810
Deferred inflows of resources		
Deferred inflows from pension	**17,682,219**	16,307,759
Deferred inflows from OPEB	**19,775,859**	20,856,517
Total deferred inflows of resources	**37,458,078**	37,164,276
Net position		
Net investment in capital assets	**50,321,242**	53,323,893
Restricted by Federal and State agreement	**31,401,070**	35,304,801
Unrestricted	**457,498,073**	420,229,909
Total net position	**$539,220,385**	$ 508,858,603

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	
	2020	**2019**
Operating revenues		
Financing fees	**$ 4,785,032**	$ 7,296,736
Interest income – notes	**6,100,777**	5,718,740
Financing lease revenue	**-**	119,014
Operating lease revenue	**9,075,335**	8,656,676
Agency fees	**1,808,818**	1,961,659
Program services	**3,661,088**	3,200,313
Real estate development	**4,891,197**	2,479,400
Distributions and warrants	**1,191,805**	20,053,568
Other	**395,190**	3,419,163
Total operating revenue	**31,909,242**	52,905,269
Operating expenses		
Salaries and benefits	**30,257,483**	29,833,726
General and administrative	**8,174,242**	5,666,437
Interest	**24,033**	-
Program costs	**15,984,593**	12,827,424
Depreciation	**4,103,579**	4,426,939
Loss provisions – net	**13,084,927**	6,980,276
Total operating expenses	**71,628,857**	59,734,802
Operating loss	**(39,719,615)**	(6,829,533)
Nonoperating revenues (expenses)		
Interest income – investments	**8,429,718**	6,818,246
Unrealized gain on investment securities	**1,399,181**	4,607,826
State appropriations	**44,145,976**	12,569,844
Federal appropriations	**262,821,945**	21,266,933
Program payments	**(246,715,423)**	(37,311,816)
Nonoperating revenues (expenses) – net	**70,081,397**	7,951,033
Change in net position	**30,361,782**	1,121,500
Net position – beginning of year	**508,858,603**	507,737,103
Net position – end of year	**$ 539,220,385**	$ 508,858,603

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 2020	2019
Cash flows from operating activities		
Cash receipts from financing fees	**$ 4,785,032**	$ 8,912,159
Interest from notes	**5,217,144**	5,086,737
Lease rents	**14,459,297**	8,224,157
Agency fees	**1,624,079**	1,962,191
Program services	**3,919,753**	6,576,913
Real estate development	**4,818,764**	2,388,192
General and administrative expenses paid	**(37,670,924)**	(34,642,655)
Program costs paid	**(13,695,646)**	(12,954,792)
Collection of notes receivable	**21,895,294**	24,477,952
Loans disbursed	**(37,720,605)**	(35,296,463)
Deposits received	**45,744,685**	7,779,758
Deposits released	**(44,176,688)**	(8,307,136)
Net cash used in operating activities	**(30,799,815)**	(25,792,987)
Cash flows from noncapital financing activities		
Interest paid on notes and revenue bonds	**(24,033)**	-
Appropriations received	**307,043,334**	33,494,722
Program payments	**(251,915,874)**	(33,059,981)
Net cash provided by noncapital financing activities	**55,103,427**	434,741
Cash flows from capital and related financing activities		
Purchase of capital assets	**(1,100,928)**	(1,095,976)
Net cash used in capital and related financing activities	**(1,100,928)**	(1,095,976)
Cash flows from investing activities		
Interest from investments	**8,705,548**	6,719,080
Return on capital investments	**(95,970)**	19,560,663
Purchase of investments	**(9,942,885)**	(7,861,106)
Proceeds from sales and maturities of investments	**63,540,113**	1,248,509
Net cash provided by investing activities	**62,206,806**	19,667,146
Net increase (decrease) in cash and cash equivalents	**85,409,490**	(6,787,076)
Cash and cash equivalents – beginning of year	**75,287,246**	82,074,322
Cash and cash equivalents – end of year	**$ 160,696,736**	$ 75,287,246

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

Statements of Cash Flows (continued)

	Year Ended December 31	
	2020	**2019**
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	**$ (39,719,615)**	$ (6,829,533)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Loss provisions-net	**13,084,429**	6,980,276
Depreciation	**4,103,579**	4,426,939
Amortization of discounts	**(540,515)**	(458,385)
Cash provided by nonoperating activities	**24,033**	-
Change in assets and liabilities:		
Notes receivables	**(15,758,709)**	(16,824,748)
Accrued interest receivables-notes	**(596,490)**	5,353,606
Lease payment receivables	**7,048,102**	100,000
Other receivables	**(726,112)**	1,588,677
Pre-paids and other noncurrent assets	**814,980**	(238,825)
Capital investments	**(1,191,805)**	(20,053,568)
Accrued liabilities	**2,208,616**	1,622,639
Unearned lease revenues	**(1,076,645)**	(1,107,721)
Deposits	**1,567,997**	(527,378)
Other liabilities	**(41,060)**	175,064
Net cash used in operating activities	**$ (30,799,815)**	$ (25,792,987)
Noncash investing activities		
Unrealized gain in investment securities	**$ 1,399,181**	$ 4,607,826

See accompanying notes.

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

Employee Benefit Trust

Statements of Fiduciary Net Position

	December 31 2020	2019
Assets		
Cash and cash equivalents	**$ 7,955,069**	$ 6,643,063
Investments:		
U.S. Treasury securities	**9,884,820**	11,418,747
U.S. Agency securities	**4,273,739**	2,383,599
Corporate bonds	**13,929,015**	12,838,420
Certificate of deposit	**200,525**	506,854
Municipal bonds	**1,054,998**	1,560,865
Total fixed income	**37,298,166**	35,351,548
Equities	**6,877,448**	5,725,093
Total investments	**44,175,614**	41,076,641
Accrued interest receivable	**161,051**	189,787
Total assets	**44,336,665**	41,266,428
Liabilities		
Accounts payable and accrued expenses	**8,000**	18,029
Total liabilities	**8,000**	18,029
Net position-restricted for OPEB	**$ 44,328,665**	$ 41,248,399

See accompanying notes.

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

Employee Benefit Trust

Statements of Changes in Fiduciary Net Position

	Year Ended December 31	
	2020	**2019**
Additions		
Employer contributions	**$ 448,747**	$ 420,225
Total contributions	**448,747**	420,225
Investment income:		
Interest and dividends	**854,450**	890,745
Net increase in fair value of investments	**2,237,116**	2,433,759
Net investment income	**3,091,566**	3,324,504
Total additions	**3,540,313**	3,744,729
Deductions		
Insurance premiums	**448,747**	420,225
Administrative expense	**8,000**	17,762
Other fees	**3,300**	3,300
Total deductions	**460,047**	441,287
Net increase in Fiduciary Net Position	**3,080,266**	3,303,442
Net position – restricted for OPEB		
Beginning of year	**41,248,399**	37,944,957
End of year	**$ 44,328,665**	$ 41,248,399

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.

(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.

(e) COVID-19 Emergency Response Programs

In 2020, the Authority was awarded a sub-grant from the New Jersey Department of Treasury for the purpose of administering a portion of the State's federal CARES Act allocation to support the recovery of businesses and economic disruptions caused by the COVID-19 pandemic. To achieve this, the Authority may provide grants, loans and guarantees to eligible businesses, to support emergency response programs aimed at stabilizing the state's economy.

(f) New Jersey Economic Development Authority Employee Benefit Trust

In 1988, the New Jersey Economic Development Authority ("Authority") established a single-employer post-employment defined benefit healthcare plan ("Plan") whereby the Authority provides the full cost of group health insurance and prescription coverage to those retirees and surviving spouses (and qualifying dependents) who have retired under the Authority's retirement system.

In October 2006, the Authority created the Employee Benefits Trust ("Trust"), an irrevocable trust to fund its Plan obligations. In no event shall any part of the principal or income of the Trust be paid or revert back to the Authority or be used for any purpose whatsoever other than for the exclusive benefit of retirees and their beneficiaries as defined by the Members of the Authority (the "Board"). No part of the assets of the Trust may inure to the exclusive benefit of any retiree or beneficiary other than by benefit payments for services provided in the administration of the Trust.

The State has the authority to establish and amend the benefit provisions offered and contribution requirements. There is no separate Board for the Trust as the Trust is administered by the Authority's management.

In compliance with GASB 84, *Fiduciary Activities*, the Authority reports the financial position of the Plan in it's Financial Statements and Notes. Accordingly, the Financial Statements are included after those of the Authority and details of the Plan assets (investments) are contained in Note 3, Deposits and Investments. Additional information is included in the Required Supplementary Information section.

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 $50,481,095 and $49,322,248 at December 31, 2020 and 2019, respectively. The following is a summary of the programs that the Authority manages on behalf of other State entities:

Department/Board	Program	2020	2019
Treasury	Local Development Financing Fund	**$ 43,811,958**	$ 42,693,983
Board of Public Utilities	BPU Clean Energy Program	**164,213**	123,341
Treasury	Business Employment Incentive Program	**6,504,924**	6,504,924

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.

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.

(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 (the amount on deposit and available for payment) (see Note 7).

(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 Employees' 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) Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB asset/(liability), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Employee Benefit Trust (the "Trust") and additions to/deductions from the Trust's fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(i) 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.

(j) 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 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 includes 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 includes all net position not included above.

(k) Taxes

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

(l) 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.

(m) 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
Camden Amphitheater, per terms of agreement	31 years
Leasehold improvements	Term of the lease
Tenant fit-out	Term of the lease
Vehicles	Expensed
Furniture and equipment	Expensed

(n) New Accounting Standard Applied

GASB issued GASB Statement No. 84 (GASB No. 84), *Fiduciary Activities*, which is effective for reporting periods beginning after December 15, 2018. GASB No. 84 addresses criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally 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. Activities meeting these criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. In 2020, the Authority applied the GASB No. 84 criteria as it relates to its OPEB plan.

(o) Recent and Upcoming Accounting Pronouncements

GASB Statement No. 87, *Leases*, was issued in June 2017. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Statement, as amended by GASB 95, is effective for fiscal years beginning after June 15, 2021. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* was issued in April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Statement, as amended by GASB 95, is effective for fiscal years beginning after June 15, 2020. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued in June 2018. The primary objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraph 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1980 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The Statement, as amended by GASB 95, is effective for fiscal years beginning after December 15, 2020. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 91, *Conduit Debt Obligations,* was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The Statement, as amended by GASB 95, is effective for reporting periods beginning after December 15, 2021. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 92, *Omnibus 2020,* was issued in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to all other items, as amended by GASB 95, are effective for fiscal years beginning after June 15, 2021. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement, as amended by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued in May 2020. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the previous pronouncements are postponed by one year. The effective date for GASB 87 is postponed by 18 months.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97, *Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued in June 2020. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

(p) 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, 2020, the Authority's bank balance was $72,481,526. 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, 2020 and 2019, 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, 2020 and 2019 were as follows:

Deposit Type	2020	2019
NOW Accounts	**$ 59,273,691**	$ 12,749,498
Money Market Accounts	**9,388,234**	9,369,595
Total deposits	**$ 68,661,925**	$ 22,119,093

(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, 2020 and 2019, the Authority's total investments, excluding capital investments, amounted to $185,848,775 and $237,909,417, respectively. 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 A- by Standard & Poor's ("S&P") or equivalent by 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, 2020 and 2019, the Authority's balance in the NJCMF is $78,494,699 and $51,919,644, respectively. The fair value is measured based on net asset value ("NAV") which approximates $1 per share.

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, 2020, and December 31, 2019, 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 5% 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, 2020, $18,118,341 or 9.75% was held in the Freddie Mac U.S. Government Agency. At December 31, 2019 none of the Authority's individual investments comprised more than 5% of the Authority's total 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 S&P. The mutual bond fund was rated AAA by S&P. Corporate bonds were rated BBB+/A-/A/A+/AA-/AA/AA+, by S&P. Municipal bonds were rated AA,AA+,AAA,NR by S&P and Aa1, Aa2, Aa3,NR by Moody's. The certificates of deposit were rated A,A+,AA- by S&P. The NJCMF is not rated.

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, 2020 and 2019, the Authority had the following investments and maturities:

Investment Type	Level	December 31, 2020 Fair Value	December 31, 2020 Investments Less than 1 Year	December 31, 2020 Maturities 1–5 Years	Fair Value as of December 31, 2019
Investments by fair value level					
Debt Securities:					
U.S. Treasuries	1	**$ 57,508,329**	$ 28,069,250	$ 29,439,079	$ 126,576,050
U.S. Agencies	2	**26,463,420**	-	26,463,420	22,735,231
Corporate Bonds	2	**74,403,610**	2,234,756	72,168,854	72,369,109
Municipal Bonds	2	**17,124,308**	-	17,124,308	8,381,866
Certificate of deposit	2	**10,349,108**	-	10,349,108	7,847,161
Mutual Bond Funds	1	**13,540,112**	13,540,112	-	1,248,509
Total investments by fair value level		**199,388,887**	$ 43,844,118	$ 155,544,769	239,157,926
Investment Pool at NAV					
State of NJ Cash Management Fund		**78,494,699**			51,919,644
Total investments measured at fair value		**277,883,586**			291,077,570
Less amounts reported as cash equivalents		**(92,034,811)**			(53,168,153)
Total investments		**$ 185,848,775**			$ 237,909,417

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

(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 Authority’s participation as 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, 2020 and 2019, the aggregate value of the Authority’s investment in these funds is $10,306,149 and $9,520,862, 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, 2020 and 2019, the Authority also held other equity investments of $2,146 and $2,658, respectively. The investments were held in the form of stock.

(d) Fiduciary Activities – OPEB Trust

OPEB Trust Deposits and Investments

The Trust’s investments are made in accordance with the provisions of the Authority’s Investment Policy (the “Investment Policy”). The goals of the Investment Policy are to invest for the sole purpose of funding the OPEB Plan obligation of the Authority in a prudent manner, and to conserve and enhance the value of the Trust assets through appreciation and income generation while maintaining a moderate investment risk.

The Trust has retained an investment consultant to ensure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The Trust is currently invested in the following securities within the current investment policy limitations:

Asset Class	2020 Exposure	2019 Exposure
Equities	**15.6%**	**13.9%**
Fixed Income:		
U.S. Treasury	**22.4**	**27.8**
U.S. Agency	**9.7**	**5.8**
Corporate bonds	**31.5**	**31.3**
Commercial paper	**-**	**-**
Municipal	**2.4**	**3.8**
Certificate of deposit	**0.4**	**1.2**
Cash and cash equivalents	**18.0**	**16.2**

The current investment policy restricts the investments to a target allocation of 30% of investments in U.S. equities with 70% in fixed income as follows: U.S. Treasury obligations, federal instrumentality securities, corporate debt, taxable municipal bonds, commercial paper, repurchase agreements and money market mutual funds.

The Trust does not have an investment policy regarding concentration of credit risk, however, the Trust's practice is to limit investments in certain issuers. The current investment philosophy represents a long-term perspective. When asset weightings fall outside the Investment Policy range, the investment advisor shall advise the Trust on potential investment courses of action and the Trust may elect to rebalance the Trust asset mix.

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 – value based on quoted prices in active markets for identical assets.

Level 2 – value based on significant other observable inputs such as a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Level 3 – value based on inputs that are unobservable and significant to the fair value measurement such as discounted cash flows.

The following summarizes the Trust's investments by type held at December 31, 2020 and 2019 (in thousands):

		December 31, 2020				
Investment Type	**Level**	**Fair Value**	**Investments Less than 1 Year**	**Maturities 1–5 Years**	**Maturities 6–10 Years**	**Fair Value as of December 31, 2019**
Investments by fair value level						
U.S. Treasuries	1	**$ 9,885**	$ 1,277	$ 5,909	$ 2,699	$ 11,418
U.S. Agencies	2	**4,274**	-	3,229	1,045	2,384
Corporate Bonds	2	**13,929**	646	5,696	7,587	12,839
Municipal Bonds	2	**1,055**	202	853	-	1,561
Dreyfus Cash Management Fund	1	**7,955**	7,955	-	-	6,643
Certificate of deposit	2	**201**	-	201	-	507
Mutual funds	1	**6,877**	6,877	-	-	5,725
Total investments by fair value level		**44,176**	16,957	15,888	11,331	41,077
Less amounts reported as cash equivalents per the financial statements		**7,955**				6,643
Total investments per the financial statements		**$ 36,221**				$ 34,434

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

The following discusses the Trust's exposure to common deposit and investment risks related to custodial credit, credit, concentration of credit, interest rate and foreign currency risks as of December 31, 2020.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the Trust's deposits may not be returned. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust and are held by either the depository financial institution or the depository financial institution's trust department or agent but not in the Trust's name.

The Trust manages custodial credit risk by limiting its investments to highly rated institutions and or requiring high quality collateral be held by the trustee in the name of the Trust.

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Trust has an investment policy regarding the management of Credit Risk, as outlined above. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, 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 ($4,273,739) and U.S. Treasuries ($9,884,820) are rated AA+ by Standard & Poor's ("S&P"). Corporate bonds were rated AAA/AA+/AA/AA-/A+/A/A-/BBB+/BBB/BBB-($13,929,406) by S&P. Municipal bonds were rated Aa1-3/NR ($1,054,998) by Moody's. The Certificate of deposit was rated A by S&P ($200,525). The Dreyfus Cash Management Fund ($7,955,069) was rated AAA by S&P.

At December 31, 2020, the Trust's fixed income investments totaled $37,298,166.

Corporate debt, when purchased, must be rated no less than BBB or the equivalent by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO"). Taxable municipal bonds should be rated at least A- or the equivalent at the time of purchase by at least two NRSROs. Commercial paper and repurchase agreements should have the ratings of at least A-1 by two or more NRSROs. Money market mutual funds and local government investment pools must have a rating of AAA by one or more NRSROs.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Trust's investment in a single issuer. Investments of Trust assets are diversified in accordance with the Authority's investment policy that defines guidelines for the investment holdings. The asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy and the securities markets. At December 31, 2020 none of the Trust's individual investments comprised more than 5% of total investments. U.S. Government issued securities (U.S. Treasury securities) are exempt from this requirement.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Within the fixed income and cash portions of the portfolio it is managed using the effective duration methodology.

This methodology is widely used in the management of fixed income portfolios in that it quantifies with greater precision the amount of risk due to interest rate changes. The weighted duration of the fixed income portfolio at December 31, 2020 is 4.0 years. In the equities section of the portfolio interest rate risk is managed by limiting equity exposure to 30% of the portfolio and investing in mutual funds that limit risk by diversifying holdings and purchasing companies of lower risk.

Rate of Return

As required by GASB Statement 74, the annual money weighted rate of return on trust investments, net of investment expenses was 7.26% and 8.44% for the years ended December 31, 2020 and 2019, respectively. The calculation is based on monthly income and average monthly investment balances.

Note 4: Notes Receivable

Notes receivable consist of the following:

	December 31 2020	December 31 2019
Economic Development Fund ("EDF") loan program; interest ranging up to 7.5%; maximum term of 10 years	**$ 47,375,453**	$ 49,213,103
Economic Recovery Fund ("ERF") loan and guarantee programs; interest ranging up to 9.8%; maximum term of 19 years	**102,844,087**	97,487,652
Hazardous Discharge Site Remediation ("HDSR") loan program; interest ranging up to 5.0%; maximum term of 5 years	**1,867,639**	1,871,172
Municipal Economic Recovery Initiative ("MERI") loan program; interest ranging up to 3.0%; maximum term of 8 years	**205,219**	227,447
Stronger NJ Business (SNJ) loan program; interest ranging up to 2.62%; maximum term of 30 years	**80,952,151**	74,224,908
	$ 233,244,549	$ 223,024,282

Aggregate Notes Receivable activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Loan Disbursements	Loan Receipts	Write-offs, Adjustments, Restructures – Net	Ending Balance	Amounts Due Within One Year
EDF/ERF	$ 146,700,755	$ 23,238,642	$ (19,339,222)	$ (380,635)	$ 150,219,540	$ 23,568,867
HDSR	1,871,172	110,077	(113,611)	-	1,867,639	1,082,198
MERI	227,447	-	(22,228)	-	205,219	28,845
SNJ	74,224,908	14,377,035	(2,420,234)	(5,229,559)	80,952,151	3,890,735
	$ 223,024,282	$ 37,725,754	$ (21,895,295)	$ (5,612,194)	$ 233,244,549	$ 28,570,645

Note 5: Leases

(a) Leases Receivable

The Authority had 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 lease receivable from Daily News was received in 2020 as the amount due was paid in full.

The outstanding lease as of December 31, 2020 and 2019 is as follows:

Lease Description	2020	2019
NY Daily News, through January 23, 2021	$ -	$ 6,948,102
Unamortized discount	-	(119,014)
Aggregate lease payments receivable – net	$ -	$ 6,829,088

Lease payments receivable activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Reductions	Ending Balance	Amount Receivable Within One Year
Gross receivable	$ 6,948,102	$ (6,948,102)	$ -	$ -
Discount	(119,014)	119,014	-	-
Net receivable	$ 6,829,088	$ (6,829,088)	$ -	$ -

(b) Operating Leases

(i) Authority as Lessor

At December 31, 2020, capital assets with a carrying value of $134,928,968 and accumulated depreciation of $88,514,906 are leased to commercial enterprises. These leases generally provide the tenant with renewal and purchase options. Aggregate minimum lease receipts are expected as follows:

2021	$ 6,569,926
2022	5,260,783
2023	4,445,591
2024	4,330,655
2025	2,339,494
2026–2030	1,031,040
2031–2035	420,200
2036–2040	420,200
2041–2044	336,160
	$ 25,154,049

(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 $410,106. Aggregate future lease obligations are as follows:

2021	$ 481,519
2022	470,177
2023	482,387
2024	494,915
	$1,928,998

Note 6: Capital Assets

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

	December 31, 2019	Additions	Reductions	December 31, 2020
Capital assets not being depreciated:				
Land	$ 28,818,065	$ -	$ -	**$ 28,818,065**
Construction in progress	-	800,253	-	**800,253**
Capital assets being depreciated:				
Buildings	81,722,446	-	-	**81,722,446**
Leasehold improvements	36,306,634	300,674	-	**36,607,308**
Capital assets – gross	146,847,145	1,100,927	-	**147,948,072**
Less: accumulated depreciation	93,523,252	4,103,578	-	**97,626,830**
Capital assets – net	$ 53,323,893	$ (3,002,651)	$ -	**$ 50,321,242**

	December 31, 2018	Additions	Reductions	December 31, 2019
Capital assets not being depreciated:				
Land	$ 28,818,065	$ -	$ -	$ 28,818,065
Capital assets being depreciated:				
Buildings	81,722,446	-	-	81,722,446
Leasehold improvements	35,210,658	1,095,976	-	36,306,634
Capital assets – gross	145,751,169	1,095,976	-	146,847,145
Less: accumulated depreciation	89,096,313	4,426,939	-	93,523,252
Capital assets – net	$ 56,654,856	$ (3,330,963)	$ -	$ 53,323,893

In 2020, the Authority initiated pre-construction (project design) work related to the New Jersey Wind Port project in Lower Alloways Creek Township, Salem County. Additional fit-out costs were also incurred for rental office space for Authority staff in the City of Newark, Essex County.

In 2019, the Authority incurred fit-out costs, in the form of leasehold improvements for rental office space for Authority staff in the City of Newark, Essex County.

Note 7: 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.

(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, 2020, Debt was $13,600,695 and Worth was $176,226,606, with a ratio of 0.08 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, 2020, aggregate exposure and related Worth within the Business Growth Fund account are both $169,344.

(3) 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 to Worth 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, 2020, the Fund had no Debt, and Worth was $3,098,677.

(b) Loan Program Commitments and Project Financings

At December 31, 2020, the Authority has $12,065,035 of loan commitments not yet closed or disbursed and $58,934,514 of project financing commitments.

Note 8: 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, as well as the Federal Emergency Management Agency, via the State of New Jersey, for purposes of administering certain loan and grant programs for businesses in connection with the aftermath of Superstorm Sandy in October 2012. In 2020, the Authority received appropriations from the United States Department of Treasury, as part of the CARES Act of 2020, via the State of New Jersey, for purposes of administering certain emergency grant programs for businesses adversely impacted by the COVID-19 pandemic. The Authority recognizes the disbursement of these funds to grantees as program payments. For the year ended December 31, 2020 state and federal appropriations and program payments were $44,145,976, $262,821,945, and $246,715,423, respectively.

Note 9: 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 10: Employee Retirement Systems

(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 contributed 7.50% in 2020 and 2019 of their pensionable compensation. The PERS also provides death and disability benefits. All benefits and contribution requirements are established, or amended, by State statute.

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. 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions are based on an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

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, 2020 and 2019 was 12.82% and 12.52%, respectively, 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.

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

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

The Authority's contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

Contractual contributions to the pension plan from the Authority were $2,684,509 and $2,242,154 for the years ended December 31, 2020 and 2019, respectively.

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, 2020 and 2019, the Authority reported a liability of $40.0 million and $41.5 million for its proportionate share of the net pension liability for PERS, respectively. The net pension liability was measured as of June 30, 2020 and June 30, 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2019 and July 1, 2018. The actuarial valuations were rolled forward to June 30, 2020 and June 30, 2019 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, 2020, the Authority's proportion was 0.2453960485%, which was an increase of .0148890608% from its proportion measured as of December 31, 2019. At December 31, 2019, the Authority's proportion was 0.2305069877%, which was a decrease of 0.0032315223%.

For the years ended December 31, 2020 and 2019, the Authority recognized pension expense of $3,697,827 and $4,677,788 for PERS, respectively. Pension expense is reported in the Authority's financial statements as part of salaries and benefits expense.

At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2020		**2019**	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	**$ 1,367,836**	**$ -**	$ –	$ 655,628
Changes of assumptions or other inputs	**1,298,219**	**16,755,781**	4,147,309	14,416,272
Changes in proportion	**3,507,707**	**784,918**	3,135,899	1,052,381
Difference between expected and actual experience	**728,656**	**141,520**	745,478	183,478
Contributions subsequent to the measurement date	**1,342,255**	**-**	2,242,154	–
	$ 8,244,673	**$ 17,682,219**	$ 10,270,840	$ 16,307,759

Deferred outflows of resources of $1,342,255 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, 2021. 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 (2021)	$ (3,876,419)
Year 2 (2022)	(3,925,103)
Year 3 (2023)	(2,264,766)
Year 4 (2024)	(567,446)
Year 5 (2025)	(146,067)
	$ (10,779,801)

Actuarial Methods and Assumptions

The collective pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions:

June 30, 2020 and 2019	
Inflation:	2.75% (Price), 3.25% (Wage)
Salary increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment rate of return:	7.00%

Pre-retirement mortality tables were based on Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 and July 1, 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation	3.00%	3.40%
Cash	4.00%	0.50%
U.S Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-US Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%

2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation	3.00%	4.67%
Cash	5.00%	2.00%
U.S Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 6.28% at June 30, 2020 and June 30, 2019, respectively. This single blended discount rate was based on the long-term rate of return of 7.00% and the municipal bond rates of 2.21% and 3.50% as of June 30, 2020 and 2019, 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.

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 7.00% and 6.28% 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, 2020 and 2019, respectively:

	1% Decrease (6.00%)	**Discount Rate (7.00%)**	**1% Increase (8.00%)**
2020	**$ 50,375,581**	**$ 40,017,678**	**$ 31,228,714**
	1% Decrease (5.28%)	Discount Rate (6.28%)	1% Increase (7.28%)
2019	$ 52,464,017	$ 41,533,862	$ 32,323,658

Plan Fiduciary Net Position

The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2020 and 2019 were $29,045,369,302 and $29,847,977,666, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2020 and 2019 was $22,997,176,445 and $23,347,631,751, respectively.

Additional Information

Collective Local Group balances at June 30, 2020 are as follows:

Collective deferred outflows of resources	$2,347,583,337
Collective deferred inflows of resources	7,849,949,467
Collective net pension liability	16,435,616,426
Authority's proportion	0.2453960485%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2020 and 2019 was $407,705,399 and $974,471,686, respectively. The average of the expected remaining service lives of all plan members is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

State Contribution Payable Dates

Prior to July 1, 2019 valuation, it is assumed the State will make pension contributions the June 30^{th} following the valuation date. Effective with the July 1, 2019 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31^{st}, at least 75% by March 31^{st}, and at least 100% by June 30^{th}.

Receivable Contribution

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2020 and June 30, 2019 are $1,144,889,253 and $1,038,892,124, respectively.

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

General Information about the Postemployment Health Care Plan

Plan Description and Benefits Provided: The Authority sponsors a single employer postemployment benefits plan that provides benefits in accordance with State statute, through the State Health Benefits Plan, 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.

The Authority participates in the State Health Benefits Plan solely on the benefits side and not in a cost-sharing capacity, in order to leverage more affordable premium costs. The Authority maintains all plan assets within the Employee Benefit Trust. 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.

Employees Covered by Benefit Terms. At December 31, 2020 and 2019, the following employees were covered by the benefit terms:

	2020	2019
Active employees	**243**	163
Inactive employees and/or beneficiaries currently receiving benefit payments	**45**	39
Total membership	**288**	202

Contributions. The Authority's Board grants the Authority the right to establish and amend the contribution requirements. The Board establishes rates based on an actuarially determined rate. For the year ended December 31, 2020 and 2019, the Authority's average contribution rate was 2.87 percent and 2.78 percent of covered payroll, respectively. Employees are not required to contribute to the plan. The Authority's annual OPEB cost for the plan is calculated based on the Entry Age Normal level percentage cost method, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The Authority has established and funded an irrevocable trust for the payments required by this obligation.

Net OPEB (Asset) Liability

The Authority's net OPEB (asset) liability was measured at December 31, 2020 and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of January 1, 2021.

Actuarial Assumptions. The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.3% per annum, compounded annually
Salary increases	3.5% per annum, compounded annually
Investment rate of return	4.50%
Healthcare cost trend rates	5.8% grading down to an ultimate rate of 4.5% for <65, 5.8% grading down to an ultimate rate of 4.5% for >65

Mortality rates were based on the Pub-2010 General Below-Median Income mortality tables and Pub-2010 Non-Safety Disabled Retiree mortality table adjusted to reflect Mortality Improvement Scale MP-2018 from 2010 base year and projected forward on a generational basis.

The actuarial assumptions used in the January 1, 2021 valuation were based on information provided by the Authority for the period of January 1, 2020 through December 31, 2020.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.17%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

2020

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
US cash	BAML 3-month treasury	5.20%	2.94%
US government bonds	Barclays government	40.58%	2.28%
US credit bonds	Barclays credit	36.71%	4.11%
US municipal bonds	Barclays muni index	4.19%	3.74%
US Large Caps	S&P 500	0.64%	8.36%
US Equity Market	Russel 3000	12.08%	8.36%
US Small Caps	Russel 2000	0.60%	9.54%
Total		100.00%	

2019

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
US cash	BAML 3-month treasury	5.20%	1.40%
US government bonds	Barclays government	40.58%	0.78%
US credit bonds	Barclays credit	36.71%	2.68%
US municipal bonds	Barclays muni index	4.19%	2.17%
US Large Caps	S&P 500	0.64%	6.05%
US Equity Market	Russel 3000	12.08%	6.05%
US Small Caps	Russel 2000	0.60%	7.23%
Total		100.00%	

Discount Rate. The discount rate used to measure the total OPEB liability was 4.5 percent at December 31, 2020 and December 31, 2019. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB (Asset) Liability

For the year ended December 31, 2020:

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB (Asset) Liability**
Net OPEB (asset) liability at the beginning of the year	**$ 20,911,955**	**$ 41,248,399**	**$ (20,336,444)**
Changes for the year:			
Service cost	**891,324**	**-**	**891,324**
Interest	**971,162**	**-**	**971,162**
Employer contributions	**-**	**448,747**	**(448,747)**
Net investment income	**-**	**3,091,566**	**(3,091,566)**
Benefit payments	**(448,747)**	**(448,747)**	**-**
Administrative expense	**-**	**(11,300)**	**11,300**
Net changes	**1,413,739**	**3,080,266**	**(1,666,527)**
Net OPEB (asset) liability at the end of the year	**22,325,694**	**44,328,665**	**(22,002,971)**

For the year ended December 31, 2019:

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB (Asset) Liability**
Net OPEB (asset) liability at the beginning of the year	$ 37,723,000	$ 37,944,957	$ (221,957)
Changes for the year:			
Service cost	1,703,075	-	1,703,075
Interest	1,764,822	-	1,764,822
Changes of assumptions	(19,858,717)	-	(19,858,717)
Employer contributions	-	420,225	(420,225)
Net investment income	-	3,324,504	(3,324,504)
Benefit payments	(420,225)	(420,225)	-
Administrative expense	-	(21,062)	21,062
Net changes	(16,811,045)	3,303,442	(20,114,487)
Net OPEB (asset) liability at the end of the year	20,911,955	41,248,399	(20,336,444)

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate. The following presents the net OPEB (asset) liability of the Authority as of December 31, 2020 and 2019, as well as what the Authority's net OPEB (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.5% for 2020 and 2019) or 1-percentage-point higher (5.5% for 2020 and 2019) than the current discount rate:

	1% Decrease (3.5%)	**Discount Rate (4.5%)**	**1% Increase (5.5%)**
2020	**$ (17,969,347)**	**$ (22,002,971)**	**$ (25,231,692)**

	1% Decrease (3.5%)	Discount Rate (4.5%)	1% Increase (5.5%)
2019	$ (16,535,298)	$ (20,336,444)	$ (23,377,963)

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB (asset) liability of the Authority as of December 31, 2020 and 2019, as well as what the Authority's net OPEB (asset) liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.8% decreasing to 3.5% in

2020 and 2019) or 1-percentage-point higher (6.8% decreasing to 5.5% in 2020 and 2019) than the current healthcare cost trend rates (5.8% decreasing to 4.5% in 2020 and 2019):

	1% Decrease (4.8% decreasing to 3.5%)	**Healthcare Cost Trend Rates (5.8% decreasing to 4.5%)**	**1% Increase (6.8% decreasing to 5.5%)**
2020	**$ (25,891,708)**	**$ (22,002,971)**	**$ (16,915,036)**

	1% Decrease (4.8% decreasing to 3.5%)	Healthcare Cost Trend Rates (5.8% decreasing to 4.5%)	1% Increase (6.8% decreasing to 5.5%)
2019	$ (23,829,799)	$ (20,336,444)	$ (15,794,427)

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NJEDA Employee Benefit Trust financial report, which is available on the Authority's website at www.njeda.com/public_information/annual_reports.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2020 and 2019, the Authority recognized OPEB expense (income) of $(2,766,378) and $(272,107), respectively. OPEB expense is reported in the Authority's financial statements as part of salaries and benefits expense. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Inflows	**Deferred Outflows**	**Deferred Inflows**	**Deferred Outflows**
Difference in experience	$ (225,644)	$ -	$ (255,020)	$ –
Changes in assumptions	(18,272,042)	-	(20,601,497)	–
Net difference between projected and actual earnings on OPEB plan investments	(1,278,173)		–	118,214
Totals	$ (19,775,859)	$ -	$ (20,856,517)	$ 118,214

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

Year Ended December 31:	
2021	$ (2,509,141)
2022	(2,668,949)
2023	(2,929,449)
2024	(2,605,958)
2025	(2,358,831)
Thereafter	(6,703,531)
Total	$ (19,775,859)

Note 11: Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority recorded noncurrent liabilities in the amount of $1,883,432 and $1,221,858 as of December 31, 2020 and 2019, respectively. The liability as of those dates is the value of employee accrued 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 12: Long-Term Liabilities

During 2020 and 2019, the following changes in long-term liabilities are reflected in the statement of net position:

	2020			
	Beginning Balance	Additions	Deductions	Ending Balance
Net pension liability	$ 41,533,862	$ –	$ (1,516,184)	$ 40,017,678
Unearned lease revenue	5,797,162	–	(1,054,847)	4,742,315
Accrued guarantee losses	256,700	4,388,191	(134,638)	4,510,253
Compensated absences	1,221,858	717,408	(55,834)	1,883,432
Total long-term liabilities	$ 48,809,582	$ 5,105,599	$ (2,761,503)	$ 51,153,678

	2019			
	Beginning Balance	Additions	Deductions	Ending Balance
Net pension liability	$ 46,021,947	$ –	$ (4,488,085)	$ 41,533,862
Unearned lease revenue	6,850,011	–	(1,052,849)	5,797,162
Accrued guarantee losses	427,609	–	(170,909)	256,700
Compensated absences	1,173,849	128,309	(80,300)	1,221,858
Total long-term liabilities	$ 54,473,416	$ 128,309	$ (5,792,143)	$ 48,809,582

For further information, see Notes 10 and 11.

Note 13: Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded the commercial coverage provided in any of the last three years.

Note 14: Subsequent Events

As the Authority's programmatic efforts continue in response to the COVID-19 pandemic, the Authority received two appropriations in 2021 from the State of New Jersey's Federal CARES Act allocation for purposes of continuing the Business Emergency Grant Program and the Sustain & Serve Grant Program, two initiatives that were developed in direct response to the pandemic. These appropriations totaled $87,400,000.

In April 2021, Governor Phil Murphy signed into law several bills that appropriated additional funding to the NJEDA to provide relief to small businesses impacted by the pandemic. To implement those new laws, the NJEDA's Board approved Phase 4 of the Small Business Emergency Assistance Grant Program on April 14. The NJEDA accepted applications from May 3 through May 19 and received nearly 30,000 applications. On June 22, the Governor signed legislation that provided $200 million in additional funding from the State of New Jersey General Fund, which was received on June 24. The Governor subsequently signed legislation allocating $125 million in additional funding from the Coronavirus State Fiscal Recovery Funds (CSFRF); the NJEDA has received $120 million of those funds through the date of this report.

Required Supplementary Information

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

Schedule of Changes in the Authority's Net OPEB Liability (Asset) and Related Ratios

	2020	2019	2018	2017	2016
			($ In Thousands)		
Service cost	**$ 891**	$ 1,703	$ 1,967	$ 1,900	$ 1,836
Interest	**972**	1,765	1,606	1,492	1,387
Change in assumptions	**-**	(19,859)	(3,730)	-	-
Benefit payments	**(449)**	(420)	(588)	(643)	(655)
Net change in total OPEB liability	**1,414**	(16,811)	(745)	2,749	2,568
Total OPEB liability - beginning	**20,912**	37,723	38,468	35,719	33,151
Total OPEB liability - ending (a)	**$ 22,326**	$ 20,912	$ 37,723	$ 38,468	$ 35,719
Plan fiduciary net position					
Contributions - employer	**$ 449**	$ 420	$ 5,307	$ 1,220	$ 1,162
Net investment income	**3,092**	3,325	86	486	382
Benefit payments	**(449)**	(420)	(588)	(643)	(655)
Administrative expenses	**(11)**	(22)	(21)	(21)	(21)
Net change in plan fiduciary net position	**3,081**	3,303	4,784	1,042	868
Plan fiduciary net position - beginning	**41,248**	37,945	33,161	32,119	31,251
Plan fiduciary net position - ending (b)	**$ 44,329**	$ 41,248	$ 37,945	$ 33,161	$ 32,119
Authority's net OPEB (asset) liability - ending (a) - (b)	**$ (22,003)**	$ (20,336)	$ (222)	$ 5,307	$ 3,600
Plan fiduciary net position as a percentage of the total OPEB liability	**198.55%**	197.25%	100.59%	86.20%	89.92%
Covered payroll	**$ 15,652**	$ 15,123	$ 14,483	$ 14,108	$ 16,246
Authority's net OPEB liability (asset) as a percentage of covered payroll	**(140.58)%**	(134.47)%	(1.53)%	37.62%	22.16%

Notes to Schedule:
Changes of assumptions: In 2020, the changes of assumptions decreased from $19.7m to $0.

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

New Jersey Economic Development Authority
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Required Supplementary Information

Schedule of the Authority's OPEB Contributions

($ in thousands)

	2020	**2019**	2018	2017	2016	2015	2014	2013	2012	2011
Actuarial determined contribution	**$ -**	**$ 1,849**	$ 5,307	$ 1,220	$ 1,162	$ 9,014	$ 891	$ 850	$ 3,327	$ 806
Employer contribution	**449**	**420**	5,307	1,220	1,162	9,014	891	850	3,327	806
Contribution deficiency (excess)	**$ (449)**	**$ 1,429**	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Authority's covered payroll	**$ 15,652**	**$ 15,123**	$ 14,483	$ 14,108	$ 16,246	$ 15,819	$ 14,535	$ 10,971	$ 10,472	$ 12,062
Contributions as percentage of covered payroll	**2.87%**	**2.78%**	36.64%	8.65%	7.15%	56.98%	6.13%	7.75%	31.77%	6.68%

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

Employee Benefit Trust
Schedule of Investment Returns

	2020	**2019**	**2018**	**2017**	**2016**
Annual money-weighted rate of return, net of investment expense	7.26%	8.44%	0.28%	1.50%	1.22%

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

New Jersey Economic Development Authority
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Required Supplementary Information

Notes to Schedule of the Authority's OPEB Contributions

Notes to Schedule:

Valuation Date	January 1, 2021 for 2020; January 1, 2020 for 2019; January 1, 2017 for years 2018, 2017 and 2016, January 1, 2015 for 2015; January 1, 2012 for years 2012-2014; January 1, 2009 for years 2009-2011.

Methods and assumptions used to determine the actuarially determined contribution rates:

Actuarial Cost Method	Entry Age Normal for 2020, 2019, 2018, 2017 and 2016, Project Unit Credit Cost Method for 2011-2015
Amortization Method	Full recognition of unfunded liability as of December 31 for 2020, 2019, 2018, 2017 and 2016, Level Dollar Open (1 year) for 2011-2015
Asset Valuation Method	Market value
Inflation Rate	2.3% for 2020, 2019, 2018, 2017 and 2016, not indicated for 2011-2015
Investment Rate of Return	4.5% for 2020, 2019 and 2018, 4.0% for all years prior

New Jersey Economic Development Authority

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Required Supplementary Information

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

		2020 PERS		2019 PERS		2018 PERS		2017 PERS		2016 PERS		2015 PERS		2014 PERS
Authority's proportion of the net pension liability		**0.24540%**		0.23051%		0.23374%		0.23691%		0.22645%		0.21713%		0.15290%
Authority's proportionate share of the net pension liability	**$**	**40,017,678**	$	41,533,862	$	46,021,947	$	55,148,355	$	67,068,246	$	48,740,925	$	28,627,890
Authority's covered payroll	**$**	**20,932,830**	$	17,904,605	$	16,464,640	$	16,199,280	$	16,245,862	$	15,434,227	$	12,440,364
Authority's proportionate share of the net pension liability as a percentage of its covered payroll		**191.17%**		231.97%		279.52%		340.44%		412.83%		315.80%		230.12%
Plan fiduciary net position as a percentage of the total pension liability		**42.90%**		42.04%		40.45%		36.78%		31.20%		38.21%		42.74%

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

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

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

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	**$ 2,684,509**	$ 2,242,154	$ 2,324,943	$ 2,194,698	$ 2,011,757	$ 1,866,720	$ 1,260,522	$ 1,137,100	$ 1,188,900	$ 1,262,300
Contributions in relation to the contractually required contribution	**2,684,509**	2,242,154	2,324,943	2,194,698	2,011,757	1,866,720	1,260,522	1,137,100	1,188,900	1,262,300
Contribution deficiency (excess)	$ -	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Authority's covered payroll	**$ 20,932,830**	$17,904,605	$16,464,640	$16,184,953	$16,245,862	$15,818,820	$14,535,358	$10,970,510	$10,472,305	$12,062,333
Contributions as a percentage of covered payroll	**12.82%**	12.52%	14.12%	13.56%	12.38%	11.80%	8.67%	10.37%	11.35%	10.46%

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

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	7.30% for 2020 and 2019, 7.50% for 2018 and 2017, 7.65% for 2016, 7.9% for 2015, 2014 and 2013, 7.95% for 2012, 8.25% for 2011
Inflation	2.75% (Price), 3.25% (Wage)
Salary Increases	None for 2020 and 2019, 1.65% –5.15% for 2018, 2017 and 2016, 2.15% – 5.40% for 2015 through 2013, 4.52% for 2012, 5.45% for 2011
Mortality	Pub-2010 General Below-Median Income Employee mortality table for male and female active participants. Mortality tables are adjusted for males and for females. In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2020 projection scale.