

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

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Financial Statements

Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary fund of the New Jersey Economic Development Authority, ("the Authority"), a component unit of the State of New Jersey, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund, of the Authority, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

We draw attention to Notes 2 and 14 in the notes to financial statements which disclose the effects of the Authority's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 87, "Leases". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

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Required Supplementary Information

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
December 6, 2023

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

Management's Discussion and Analysis

Years Ended December 31, 2022 and 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, 2022 and 2021. 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.

2022 FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$352.9 million (or 40.0%) primarily due to receipt of State appropriations for new economic development initiatives and Federal American Rescue Plan Act funds for COVID-19 emergency assistance programs, all of which had not been disbursed before the end of the year.
- Real Estate Development fees increased \$3.2 million (or 283.6%) due to fees earned in connection with the Wind Port initiative.
- Interest income from investments increased \$3.4 million (or 89.6%) due to an increase in interest rates coupled with an increase in cash.
- The net pension liability increased \$15.1 million (or 45.0%) while administrative expenses increased \$21.7 million (or 65.1%) due to a change in the Authority's proportionate share of the State of New Jersey's net pension liability, coupled with an increase in expenses related to the administration of new initiatives.
- Program costs increased \$3.5 million (or 19.1%) due largely to increased expenditures for the administration of new initiatives.
- State and Federal appropriations decreased \$288.9 million (or 35.3%) and program payments decreased \$328.0 million (or 72.5%) due largely to the timing of receipt and subsequent disbursement of various state and federal funds for business emergency assistance and economic recovery programs during and in the aftermath of COVID-19.

New Jersey Economic Development Authority
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Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

2021 FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$338.8 million (or 62.9%) primarily due to receipt of State appropriations and 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 \$6.5 million (or 16.3%) while administrative expenses decreased \$4.7 million (or 12.1%) due to a change in the Authority's proportionate share of the State of New Jersey's net pension liability.
- Program costs increased \$2.2 million (or 13.9%) due largely to increased expenditures for the administration of initiatives related to the COVID-19 pandemic.
- Interest income from investments decreased \$4.6 million (or 54.7%) due to a significant decline in interest rates related to the economic effects of COVID-19.
- State and Federal appropriations increased \$510.8 million (or 166.4%) and program payments increased \$205.2 million (or 83.2%) due largely to the receipt and subsequent disbursement of CARES Act funds for business emergency assistance and economic recovery programs during and in the aftermath of COVID-19.

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Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position. The following table summarizes the changes in Net Position at December 31, 2022, 2021 and 2020:

	2022	2021 (Restated)	2020 (Restated)	% Increase/(Decrease)	
				2022/2021	2021/2020
Assets:					
Other assets	\$ 1,161,400,723	\$ 930,730,190	\$ 621,298,589	24.8%	53.6%
Capital assets, net	213,902,722	66,631,587	50,321,242	221.0%	28.3%
Total assets	1,375,303,445	997,361,777	671,619,831	37.9%	51.6%
Deferred outflows of resources:					
Deferred outflow related to pension	16,837,062	11,149,517	8,244,673	51.0%	35.2%
Deferred outflow related to OPEB	5,467,319	521,262		948.9%	100.0%
Total deferred outflows of resources	22,304,381	11,670,779	8,244,673	91.1%	41.6%
Liabilities:					
Current liabilities	49,284,762	13,236,321	14,344,401	272.3%	-11.7%
Net pension liability	48,534,257	33,482,997	40,017,678	45.0%	-16.3%
Other noncurrent liabilities	16,476,577	11,326,435	11,136,000	45.5%	1.7%
Total liabilities	114,295,596	58,045,753	65,498,079	96.9%	-11.4%
Deferred inflows of resources:					
Deferred inflow related to pension	7,826,405	21,497,619	17,682,219	-63.6%	21.6%
Deferred inflow related to OPEB	14,569,124	17,330,212	19,775,859	-15.9%	-12.4%
Deferred inflow related to Leases	30,021,819	34,154,392	37,687,962	-12.1%	-9.4%
Total deferred inflows of resources	52,417,348	72,982,223	75,146,040	-28.2%	3.7%
Net position:					
Net investment in capital assets	205,120,541	64,292,835	50,321,242	219.0%	28.3%
Restricted	33,217,633	32,369,782	31,401,070	2.6%	3.1%
Unrestricted	992,556,708	781,341,963	457,498,073	27.0%	70.8%
Total net position	\$ 1,230,894,882	\$ 878,004,580	\$ 539,220,385	40.2%	62.9%

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Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

During 2022, the Authority's combined net position increased by \$352.9 million due to:

\$ 103.0 Million	State appropriations to the Authority Economic Recovery Fund – net of program payments, for various economic initiatives, including Strategic Innovation Centers; Small Business Emergency Assistance; and Regional Greenhouse Gas Initiative
\$ 20.2 Million	Federal CARES Act appropriations received for COVID-19 programs – net of disbursements
\$ 261.4 Million	Increase in State appropriations for Wind Port initiative construction in progress – net of scheduled depreciation on other Authority capital assets
\$ (15.2) Million	Program disbursements relating to Authority brownfield initiatives
\$ (16.5) Million	Net disbursements relating to other Authority programs

During 2021, the Authority's combined net position increased by \$338.8 million due to:

\$ 317.3 Million	State appropriations to the Authority Economic Recovery Fund – net of program payments, for various economic initiatives, including Main Street Recovery; Small Business Emergency Assistance; and Offshore Wind
\$ 14.4 Million	Federal CARES Act appropriations received for COVID-19 programs – net of disbursements
\$ 14.2 Million	Increase in State appropriations for Wind Port initiative construction in progress – net of scheduled depreciation on other Authority capital assets
\$ (7.11) Million	Net disbursements 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.

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Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

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 2022, 2021 and 2020:

	2022	2021 (Restated)	2020 (Restated)	% Increase/(Decrease) 2022/2021 2021/2020	
Operating revenues:					
Financing fees	\$ 4,545,292	\$ 5,379,598	\$ 4,785,032	-15.5%	12.4%
Lease revenue	8,394,798	9,137,042	9,075,335	-8.1%	0.7%
Interest income:					
Notes and Leases	6,262,048	5,912,966	6,100,777	5.9%	-3.1%
Other	14,698,487	12,876,669	11,948,098	14.1%	7.8%
Total operating revenues	33,900,625	33,306,275	31,909,242	1.8%	4.4%
Operating expenses:					
Administrative expenses	55,050,289	33,347,877	38,431,725	65.1%	-13.2%
Interest expense	453,422	158,652	24,033	185.8%	560.1%
Depreciation	3,500,402	3,983,605	4,103,579	-12.1%	-2.9%
Lease Amortization	873,202	525,406		66.2%	100.0%
Loss provisions – net	1,205,012	2,935,491	13,084,927	-59.0%	-77.6%
Program costs	21,694,045	18,209,082	15,984,593	19.1%	13.9%
Total operating expenses	82,776,372	59,160,113	71,628,857	39.9%	-17.4%
Operating (loss)	(48,875,747)	(25,853,838)	(39,719,615)	89.0%	-34.9%
Nonoperating revenues and (expenses):					
Interest income – investments	7,242,924	3,820,732	8,429,718	89.6%	-54.7%
State and Federal appropriations	528,826,277	817,722,311	306,967,921	-35.3%	166.4%
Program payments	(123,844,344)	(451,866,149)	(246,715,423)	-72.6%	83.2%
Other (expense) revenue	(10,458,808)	(5,038,861)	1,399,181	107.6%	-460.1%
Total nonoperating revenues and (expenses), net	401,766,049	364,638,033	70,081,397	10.2%	420.3%
Change in net position	352,890,302	338,784,195	30,361,782	4.2%	1015.8%
Beginning net position	878,004,580	539,220,385	508,858,603		
Ending net position	\$ 1,230,894,882	\$ 878,004,580	\$ 539,220,385		

New Jersey Economic Development Authority
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Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

Operating Revenues

In 2022, the Authority's operating revenues increased minimally from the prior year as slight decreases in finance fees and interest income on notes were offset by increases in operating lease revenue, program services fees and real estate development fees as new initiatives began during the year, including progress on the Wind Port.

In 2021, the Authority's operating revenues increased from the prior year as slight increases in financing fees and operating lease revenue were offset by decreases in real estate development fees as specific State of New Jersey office building projects the Authority managed, came to their conclusion.

Operating Expenses

In 2022, total operating expenses increased largely as a result of increases in both general and administrative expenses and program costs, the former due to an increase in the Authority's proportionate share of the State of New Jersey's pension liability and the latter related to the administration of new programs. Loss provisions expense decreased due to scheduled paydowns within the Authority's revolving loan portfolio.

In 2021, total operating expenses decreased largely as a result of two line items. Loss provisions expense decreased as a result of an unanticipated early payoff of a significant loan within the Authority's revolving loan portfolio, while administrative expenses decreased due to a decline in the Authority's proportionate share of the State of New Jersey's pension liability.

Non-Operating Revenues and Expenses – Net

In 2022, non-operating revenues and expenses – net, increased by \$37.1 million, due to the timing of receipts and disbursements of federal CARES Act appropriations and state appropriations related to both the Stronger NJ Business programs and the Offshore Wind initiative. This more than offset smaller decreases in both interest on investments related to a decline in interest rates, and an unrealized loss on investment securities due to efforts to take advantage of higher-yielding, longer maturity investments consistent with the Authority's investment guidelines.

In 2021, non-operating revenues and expenses – net, increased by \$294.5 million, due to the timing of receipts and disbursements of federal CARES Act appropriations and state appropriations related to both the Stronger NJ Business programs and the Offshore Wind initiative. This more than offset smaller decreases in both interest on investments related to a decline in interest rates, and an unrealized loss on investment securities due to efforts to take advantage of higher-yielding, longer maturity investments consistent with the Authority's investment guidelines.

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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, 2020 through December 31, 2022:

2020 Provision for credit losses-net	\$ 11,889,388	
2020 Write-offs	<u>(5,538,442)</u>	\$ 6,350,946
December 31, 2020		
Allowance for loan losses	34,226,582	
Accrued guarantee losses	<u>4,510,253</u>	
Total allowance		<u>38,736,835</u>
2021 Provision for credit losses-net	2,605,851	
2021 Write-offs	<u>(2,241,145)</u>	<u>364,706</u>
December 31, 2021		
Allowance for loan losses	35,245,633	
Accrued guarantee losses	<u>3,855,908</u>	
Total allowance		<u>39,101,541</u>
2022 Provision for credit losses-net	1,396,121	
2022 Write-offs	<u>(664,518)</u>	<u>731,603</u>
December 31, 2022		
Allowance for loan losses	36,119,127	
Accrued guarantee losses	<u>3,714,017</u>	
Total allowance		<u>\$ 39,833,144</u>

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Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

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, 2022 was \$222,308,062, of which \$210,969,483 or 95% is for loans and \$11,338,579 for issued loan guarantees.

Aggregate gross loan and guarantee exposure at December 31, 2021 was \$237,317,970, of which \$225,707,391 or 95% is for loans and \$11,610,579 for issued loan guarantees.

At December 31, 2022, the Authority maintained a Credit Loss Allowance of \$39,833,144 or 17.9% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2022, were \$731,603 or 0.3% of the loan and guaranty exposure.

At December 31, 2021, the Authority maintained a Credit Loss Allowance of \$39,101,541 or 16.4% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2021, were \$2,241,145 or 0.9% 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 2022 Loss Provisions – Net, of \$1.0 million, are related to the following detailed information:

\$	1,396,121	Loan and Guarantee Program activity
\$	(414,991)	Venture Capital Funds and Capital Investments

The 2021 Loss Provisions – Net, of \$2.6 million, are related to the following detailed information:

\$	2,605,851	Loan and Guarantee Program activity
\$	(975)	Venture Capital Funds and Capital Investments

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Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

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 2022, 2021 and 2020:

	2022	2021 (Restated)	2020 (Restated)	% Increase/(Decrease) 2022/2021 2021/2020	
Land	\$ 49,505,422	\$ 28,818,065	\$ 28,818,065	71.8%	0.0%
Construction in progress	142,787,327	18,982,051	800,253	652.2%	2272.0%
Total non-depreciable capital assets	192,292,749	47,800,116	29,618,318	302.3%	61.4%
Building	81,722,446	81,722,446	81,722,446	0.0%	0.0%
Capital asset right to use lease	8,242,703	2,598,678	2,598,678	217.2%	0.0%
Leasehold improvements	36,755,662	36,646,188	36,306,634	0.3%	0.9%
Total depreciable/amortizable capital assets	126,720,811	120,967,312	120,627,758	4.8%	0.3%
Less accumulated depreciation/amortization	(105,110,838)	(102,135,841)	(97,626,830)	2.9%	4.6%
Capital assets – net	\$ 213,902,722	\$ 66,631,587	\$ 52,619,246	221.0%	26.6%

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
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Statements of Net Position

	December 31,	
	2022	2021 (Restated)
Assets		
Current assets:		
Cash and cash equivalents – restricted	\$ 513,038,720	\$ 174,401,920
Cash and cash equivalents – unrestricted	196,682,928	290,189,938
Investments	53,821,437	44,066,839
Receivables:		
Notes	16,978,994	17,118,126
Accrued interest on notes	708,116	1,183,194
Accrued interest on investments	919,858	761,443
Leases	4,904,315	4,132,573
Other receivables	6,449,053	3,267,091
Total receivables	29,960,336	26,462,427
Prepaid and other current assets	1,939,010	1,171,619
Total current assets	795,442,431	536,292,743
Noncurrent assets:		
Investments – unrestricted	135,671,389	150,344,086
Venture capital partnerships	22,566,416	17,253,181
Equity investments	4,713,239	1,008,123
Net other postemployment benefits asset	15,867,760	21,972,896
Land held for resale	3,620,153	
Prepaid and other noncurrent assets	586,070	309,481
Receivables:		
Notes	193,990,489	209,018,446
Accrued interest on notes	14,461	11,156
Leases	25,117,504	30,021,819
Unamortized discount	(70,062)	(256,108)
Total receivables	219,052,392	238,795,313
Allowance for doubtful notes receivable	(36,119,127)	(35,245,633)
Net notes receivable	182,933,265	203,549,680
Non-depreciable capital assets	192,292,749	47,800,116
Right to use lease assets	8,242,703	2,073,272
Depreciable/amortizable capital assets, net	13,367,270	16,758,199
Total capital assets, net	213,902,722	66,631,587
Total noncurrent assets	579,861,014	461,069,034
Total assets	1,375,303,445	997,361,777
Deferred outflows of resources		
Deferred outflows from pension	16,837,062	11,149,517
Deferred outflows from OPEB	5,467,319	521,262
Total deferred outflows of resources	\$ 22,304,381	\$ 11,670,779

See accompanying notes.

New Jersey Economic Development Authority
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Statements of Net Position (continued)

	December 31,	
	2022	2021 (Restated)
Liabilities		
Current liabilities:		
Accrued liabilities	\$ 38,311,302	\$ 8,602,170
Unearned lease revenues	1,216,150	1,202,863
Leases Payable	542,345	575,553
Lessee Interest Payable	94,402	
Escrow deposits	9,120,563	2,855,735
Total current liabilities	<u>49,284,762</u>	<u>13,236,321</u>
Noncurrent liabilities:		
Net pension liability	48,534,257	33,482,997
Leases Payable	8,239,836	1,763,199
Unearned lease revenues	2,634,619	3,688,467
Accrued guarantee losses	3,714,017	3,855,908
Compensated absences	1,888,105	2,018,861
Total noncurrent liabilities	<u>65,010,834</u>	<u>44,809,432</u>
Total liabilities	<u>114,295,596</u>	<u>58,045,753</u>
Deferred inflows of resources		
Deferred inflows from pension	7,826,405	21,497,619
Deferred inflows from OPEB	14,569,124	17,330,212
Deferred inflows from Leases	30,021,819	34,154,392
Total deferred inflows of resources	<u>52,417,348</u>	<u>72,982,223</u>
Net position		
Net investment in capital assets	205,120,541	64,292,835
Restricted by Federal and State agreement	33,217,633	32,369,782
Unrestricted	992,556,708	781,341,963
Total net position	<u>\$ 1,230,894,882</u>	<u>\$ 878,004,580</u>

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,	
	2022	2021 (Restated)
Operating revenues		
Financing fees	\$ 4,545,292	\$ 5,379,598
Interest income – notes	4,639,714	5,912,966
Interest income – leases	1,622,334	1,790,178
Operating lease revenue	8,394,798	7,346,864
Agency fees	2,180,227	1,856,654
Program services	6,346,016	3,372,034
Real estate development	4,369,011	1,138,884
Distributions and warrants	259,107	1,223,183
Grant income	-	2,353,454
Other	1,544,126	2,932,460
Total operating revenue	<u>33,900,625</u>	<u>33,306,275</u>
Operating expenses		
Salaries and benefits	42,182,446	25,495,960
General and administrative	12,867,843	7,851,917
Interest	453,422	158,652
Program costs	21,694,045	18,209,082
Depreciation	3,500,402	3,983,605
Lease Amortization	873,202	525,406
Loss provisions – net	1,205,012	2,935,491
Total operating expenses	<u>82,776,372</u>	<u>59,160,113</u>
Operating loss	<u>(48,875,747)</u>	<u>(25,853,838)</u>
Nonoperating revenues (expenses)		
Interest income – investments	7,242,924	3,820,732
Unrealized (loss) gain on investment securities	(10,458,808)	(5,038,861)
State and Federal appropriations	528,826,277	817,722,311
Program payments	(123,844,344)	(451,866,149)
Nonoperating revenues – net	<u>401,766,049</u>	<u>364,638,033</u>
Change in net position	352,890,302	338,784,195
Net position – beginning of year	878,004,580	539,220,385
Net position – end of year	<u>\$ 1,230,894,882</u>	<u>\$ 878,004,580</u>

See accompanying notes.

New Jersey Economic Development Authority
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Statements of Cash Flows

	Year Ended December 31,	
	2022	2021 (Restated)
Cash flows from operating activities		
Cash receipts from financing fees	\$ 4,545,292	\$ 5,379,598
Interest from notes	5,313,202	6,177,254
Lease rents	9,061,931	8,870,172
Grants	-	2,353,454
Agency fees	2,225,442	1,862,733
Program services	7,145,099	5,657,940
Real estate development	4,403,796	1,153,449
General and administrative expenses paid	(57,423,500)	(44,629,403)
Program costs paid	(16,218,163)	(17,016,739)
Collection of notes receivable	34,517,254	37,396,452
Loans disbursed	(20,012,901)	(42,694,569)
Deposits received	29,631,162	20,440,947
Deposits released	(23,366,333)	(12,064,493)
Net cash used in operating activities	(20,177,719)	(27,113,205)
Cash flows from noncapital financing activities		
Interest paid on notes and revenue bonds	-	(615)
Appropriations received	521,419,706	817,394,118
Program payments	(122,590,156)	(451,845,352)
Net cash provided by noncapital financing activities	398,829,550	365,548,151
Cash flows from capital and related financing activities		
Purchase of capital assets	(126,721,590)	(18,220,768)
Net cash used in capital and related financing activities	(126,721,590)	(18,220,768)
Cash flows from investing activities		
Interest from investments	7,084,509	4,004,734
Return on capital investments	(8,339,136)	(6,722,872)
Purchase of investments	(6,391,471)	(17,571,218)
Proceeds from sales and maturities of investments	845,647	3,970,300
Net cash (used in) investing activities	(6,800,451)	(16,319,056)
Net increase in cash and cash equivalents	245,129,790	303,895,122
Cash and cash equivalents – beginning of year	464,591,858	160,696,736
Cash and cash equivalents – end of year	\$ 709,721,648	\$ 464,591,858
<i>See accompanying notes.</i>		

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Statements of Cash Flows (continued)

	Year Ended December 31,	
	2022	2021 (Restated)
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (48,875,747)	\$ (25,853,838)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Loss provisions - net	1,199,896	2,935,491
Depreciation	3,500,402	3,983,605
Lease amortization	873,202	525,406
Amortization of discounts	(409,886)	(505,692)
Change in assets and liabilities:		
Notes receivables	14,502,573	4,866,803
Accrued interest receivables-notes	471,732	50,798
Other receivables	(45,409,014)	(5,478,517)
Prepaid and other noncurrent assets	(268,570)	(570,028)
Capital investments	(259,107)	(1,223,183)
Accrued liabilities	43,202,196	(3,163,676)
Unearned lease revenues	(1,040,561)	(1,046,603)
Deposits	6,264,828	(1,758,125)
Other liabilities	6,070,337	124,354
Net cash used in operating activities	<u>\$ (20,177,719)</u>	<u>\$ (27,113,205)</u>
Noncash investing activities		
Unrealized (loss) gain in investment securities	<u>\$ (10,458,808)</u>	<u>\$ (5,038,861)</u>

See accompanying notes.

New Jersey Economic Development Authority
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Employee Benefit Trust

Statements of Fiduciary Net Position

	December 31,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 978,358	\$ 62,527
Investments:		
U.S. Treasury securities	12,495,467	16,282,542
U.S. Agency securities	2,865,966	2,787,596
Corporate bonds	12,794,014	12,083,531
Municipal bonds	778,978	616,090
Fixed Income	28,934,425	31,769,759
Equities	10,968,472	14,002,562
Total investments	39,902,897	45,772,321
Accrued interest receivable	164,505	147,048
Total Assets	41,045,760	45,981,896
Liabilities		
Accounts payable and accrued expenses	8,000	8,000
Total liabilities	8,000	8,000
Net position – restricted for OPEB	\$ 41,037,760	\$ 45,973,896

See accompanying notes.

New Jersey Economic Development Authority

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Employee Benefit Trust

Statements of Changes in Fiduciary Net Position

	Year Ended December 31,	
	2022	2021
Additions		
Employer contributions	\$ 655,633	\$ 542,605
Total contributions	655,633	542,605
Investment income:		
Interest and dividends	912,507	998,765
Net (decrease) increase in fair value of investments	(5,845,343)	657,766
Net investment income	(4,932,836)	1,656,531
Total additions	(4,277,203)	2,199,136
Deductions		
Insurance premiums	647,633	542,605
Administrative expense	8,000	8,000
Other fees	3,300	3,300
Total deductions	658,933	553,905
Net (decrease) increase in Fiduciary Net Position	(4,936,136)	1,645,231
Net position – restricted for OPEB		
Beginning of year	45,973,896	44,328,665
End of year	<u>\$ 41,037,760</u>	<u>\$ 45,973,896</u>

See accompanying notes.

New Jersey Economic Development Authority
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Notes to Financial Statements

December 31, 2022 and 2021

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 rates 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.

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

(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.

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

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 its 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 \$50,519,542 and \$50,834,267 at December 31, 2022 and 2021, respectively. The following is a summary of the programs that the Authority manages on behalf of other State entities:

Department/Board	Program	2022	2021
Treasury	Local Development Financing Fund	\$ 43,929,971	\$ 44,302,144
Board of Public Utilities	BPU Clean Energy Program	17,115	27,199
Treasury	Business Employment Incentive Progra	6,572,459	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"). GASB is the accepted standards setting body for establishing government accounting and financial reporting principles. The accounts are maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

(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. State and Federal (passed-through the State) appropriations received for economic development or other programs that the State requests the Authority administer are recognized when received by the Authority. When the Authority is the recipient of a grant, 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,

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

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) Leases

Authority as a Lessee

The Authority is a lessee for noncancellable leases of various building facilities. At the commencement of a lease, the Authority initially measures the lease obligation at the present value of payments expected to be made during the lease term. Subsequently, the lease obligation is reduced by the principal portion of lease payments made. Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Authority recognizes lease liabilities with an initial, individual value of \$150,000 or more.

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease obligation are composed of fixed payments and any purchase option price that the Authority is reasonably certain to exercise. The Authority monitors changes in circumstances that would require a remeasurement of its lease obligation and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease obligation.

See Note 5 (i) for detail.

Authority as a Lessor

The Authority is a lessor for noncancellable leases of various assets of the Authority with lease agreements that vary in length. The Authority initially measures the lease at the present value of payments expected to be received during the lease term. Key estimates and judgments to the lessor include (1) the discount rate using the lessee's estimated borrowing rate expected less receipts to present value, (2) the lease term including any non-cancellable period of the lease, and (3) the lease payments determined by the lease receipts included in the measurement of the lease that are composed of fixed payments from the lessee and any payment renewal option that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

See Note 5 (ii) for detail.

(j) 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.

(k) 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/amortization used in the Authority's operations as well as capital assets

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

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.

(l) Taxes

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

(m) 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.

(n) 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
Right to use lease assets	Term of the lease

(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.

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

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 has implemented this standard for the year ended December 31, 2022.

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 has implemented this standard for the year ended December 31, 2022.

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:

- 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, and

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

- 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 has implemented this standard for the year ended December 31, 2022.

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. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"), 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. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

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(p) Deferred Outflows/Inflows of Resources

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

The Authority reported deferred inflow amounts relating to the lease receivables. These amounts are deferred and amortized to lease revenue in a systematic and rational manner over the lease terms. The Authority also reported deferred outflows or resources and deferred inflows of resources in relation to its pension and other postemployment benefit liabilities. These amounts are detailed in the discussion of the Authority's Employee Retirement Plans in Note 10.

(q) 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, 2022, the Authority's bank balance was \$110,712,553. Of the bank balance, \$750,000 was insured with Federal Depository 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)

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name. At December 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

<u>Deposit Type</u>	<u>2022</u>	<u>2021</u>
NOW Accounts	\$ 93,046,850	\$287,712,227
Money Market Accounts	9,464,913	9,389,476
Total Deposits	<u>\$ 102,511,763</u>	<u>\$297,101,703</u>

(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, 2022, and 2021, the Authority's total investments, excluding capital investments, amounted to \$189,492,826 and \$194,410,925, 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

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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, 2022 and 2021, the Authority's balance in the NJCMF is \$606,364,238 and \$163,519,944, 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, 2022, and 2021, 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, 2022, \$12,556,942 or 6.63% was held in the Freddie Mac U.S. Government Agency. At December 31, 2021, \$12,957,079 or 6.66% was held in the Freddie Mac U.S. Government Agency. 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+/AA-/AA/AA+, by S&P. Municipal bonds were rated AA,AA+,AAA by S&P and Aa1, Aa2, Aa3,Aaa by Moody's. 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.

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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, 2022 and 2021, the Authority had the following investments and maturities:

		December 31, 2022			Fair Value as of December 31, 2021
Investment Type	Level	Fair Value	Maturities Year	Maturities 1–5 Years	
Investments by fair value level					
Debt Securities:					
U.S. Treasuries	1	\$ 76,209,253	\$ 23,984,189	\$ 52,225,064	\$ 90,231,274
U.S. Agencies	2	18,274,194	11,994,591	6,279,603	19,053,407
Corporate Bonds	2	71,573,095	6,266,128	65,306,967	60,575,350
Municipal Bonds	2	14,813,099	2,953,344	11,859,755	16,558,820
Commercial Paper	2	1,394,323	1,394,323	-	-
Certificate of deposit	2	7,228,862	7,228,862	-	7,992,074
Mutual Bond Funds	1	845,647	845,647	-	3,970,212
Total investments by fair value level		190,338,473	\$ 54,667,084	\$ 135,671,389	198,381,137
Investment Pool at NAV					
State of NJ Cash Management Fund		606,364,238			163,519,944
Total investments measured at fair value		796,702,711			361,901,081
Less: amounts reported as cash equivalents		(607,209,885)			(167,490,156)
Total investments		\$ 189,492,826			\$ 194,410,925

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

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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, 2022 and 2021, the aggregate value of the Authority's investment in these funds is \$22,566,416 and \$17,253,181, 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, 2022 and 2021, the Authority also held other equity investments of \$4,713,239 and \$1,008,213, 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	2022 Exposure	2021 Exposure
Equities	26.8%	30.6%
Fixed Income:		
U.S. Treasury	30.6	35.5
U.S. Agency	7.0	6.1
Corporate bonds	31.3	26.4
Municipal	1.9	1.3
Cash and cash equivalents	2.4	0.1

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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.

December 31, 2022						
Investment Type	Level	Fair Value	Investments Year	Maturities 1–5 Years	Maturities 6–10 Years	Fair Value as of December 31, 2021
Investments by fair value level						
U.S. Treasuries	1	\$ 12,495,467	\$ 2,877,765	\$ 7,642,928	\$ 1,974,774	\$ 16,282,542
U.S. Agencies	2	2,865,966	641,934	1,350,650	873,382	2,787,596
Corporate Bonds	2	12,794,014	-	6,981,499	5,812,515	12,083,531
Municipal Bonds	2	778,978	-	778,978	-	616,090
Dreyfus Cash Management Fund	1	-	-	-	-	62,527
Mutual bond funds	1	978,358	978,358	-	-	-
Mutual funds	1	10,968,472	10,968,472	-	-	14,002,562
Total investments by fair value level		40,881,255	15,466,529	16,754,055	8,660,671	45,834,848
Less amounts reported as cash equivalents per the financial statements		<u>(978,358)</u>				<u>(62,527)</u>
Total investments per the financial statements		<u>\$ 39,902,897</u>				<u>\$ 45,772,321</u>

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

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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, 2022.

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 (\$2,865,966) and U.S. Treasuries (\$12,495,467) are rated AA+ by Standard & Poor's ("S&P"). Corporate bonds were rated AAA/AA+/AA/AA-/A+/A/A-/BBB+/BBB (\$12,794,014) by S&P. Municipal bonds were rated Aa1, Aa3 (\$778,978) by Moody's. The Dreyfus Cash Management Fund (\$978,358) was rated AAA by S&P.

As of December 31, 2022, the Trust's fixed income investments totaled \$29,912,783.

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

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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. As of December 31, 2022, 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, 2022 is 3.5 years. In the equities section of the portfolio interest rate risk is managed by limiting equity exposure to approximately 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 (11.25%) and 3.75% for the years ended December 31, 2022 and 2021, respectively. The calculation is based on monthly income and average monthly investment balances.

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Note 4: Notes Receivable

Notes receivable consist of the following:

	December 31, 2022	2021
Economic Development Fund ("EDF") loan program; interest ranging up to 5.4%; maximum term of 12 years	\$ 32,963,783	\$ 37,293,415
Economic Recovery Fund ("ERF") loan and guarantee programs; interest ranging up to 9.8%; maximum term of 19 years	84,390,761	100,298,855
Hazardous Discharge Site Remediation ("HDSR") loan program; interest ranging up to 5.0%; maximum term of 3 years	1,552,302	1,916,163
Municipal Economic Recovery Initiative ("MERI") loan program; interest ranging up to 3.0%; maximum term of 4 years	143,875	176,490
Stronger NJ Business (SNJ) loan program; interest ranging up to 2.6%; maximum term of 30 years	82,097,975	82,056,306
United States Economic Development Authority (USEDA) loan program; interest rate of 0.0%; maximum term of 10 years	9,820,787	4,395,343
	<u>\$ 210,969,483</u>	<u>\$ 226,136,572</u>

Aggregate Notes Receivable activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Loan Disbursements	Loan Receipts	Write-offs, Adjustments, Net	Ending Balance	Amounts Due Year
EDF/ERF	\$ 137,952,270	\$ 9,850,845	\$ (29,765,834)	\$ (322,737)	\$ 117,354,544	\$ 10,986,456
HDSR	1,916,163	9,271	(33,132)	(340,000)	1,552,302	1,355,376
MERI	176,490	-	(32,615)	-	143,875	30,721
SNJ	82,056,306	4,723,341	(4,681,672)	-	82,097,975	3,378,327
USEDA	4,395,343	5,429,444	(4,000)	-	9,820,787	1,228,114
	<u>\$ 226,136,572</u>	<u>\$ 20,012,901</u>	<u>\$ (34,517,253)</u>	<u>\$ (662,737)</u>	<u>\$ 210,969,483</u>	<u>\$ 16,978,994</u>

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Note 5: Leases

(i) Authority as Lessor

At December 31, 2022, capital assets with a carrying value of \$134,928,968 and accumulated depreciation of \$95,448,672 are leased to commercial enterprises. These leases generally provide the tenant with renewal and purchase options. Aggregate minimum lease receipts are expected as follows, which include leases under one year in term not subject to GASB Statement No. 87 and leases capitalized in prior years prior to implementation of GASB Statement No.87:

2023	\$ 7,384,200
2024	7,150,949
2025	4,273,409
2026	3,636,831
2027	2,412,109
2028-2032	11,990,793
2033-2037	4,457,375
2038-2042	420,200
2043-2044	168,080
	<u>\$ 41,893,946</u>

Certain leases of the Authority are subject to GASB Statement No. 87 which covers leases that are over one year in length. A receivable is recognized for the total discounted present value of future lease payments. The interest rate used in this calculation is the Authority's long-term annual rate of return which was 4.75% for 2022 and 2021. Interest income and lease revenue is recognized over the life of the lease. The receivable was \$30,021,819 as of December 31, 2022, and \$34,154,392 as of December 31, 2021. The receivable is offset by a corresponding amount in deferred inflows due to leases representing income to be recognized over the life of the lease. Interest revenue related to leases was \$1,622,334 for 2022 and \$1,790,178 for 2021. Future expected lease payments are summarized in the following table:

	Lease Interest Revenue	Lease Receivables/ Deferred Inflows	Total
2023	\$ 1,426,036	\$ 4,904,315	\$ 6,330,351
2024	1,193,082	4,904,020	6,097,102
2025	960,141	2,259,421	3,219,562
2026	852,818	2,257,089	3,109,907
2027	745,606	1,666,503	2,412,109
2028-2032	2,504,517	9,486,275	11,990,792
2033-2037	403,903	4,053,472	4,457,375
2038-2042	86,297	333,903	420,200
2043-2044	11,260	156,821	168,081
	<u>\$ 8,183,660</u>	<u>\$ 30,021,819</u>	<u>\$ 38,205,479</u>

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(ii) Authority as Lessee

The Authority leases commercial property, buildings, and office space for use by Authority staff. Aggregate rental payments for the current year amounted to \$1,297,241. Aggregate future lease obligations are as follows:

2023	\$ 1,046,802
2024	1,135,072
2025	693,198
2026	591,897
2027	493,081
2028-2032	2,411,673
2033-2037	2,655,322
2038-2042	2,931,690
2043-2047	3,236,823
2048-2049	1,387,173
	<u>\$ 16,582,731</u>

The respective lease terms for these leasehold interests in commercial property are over one year in length and are, similarly, subject to GASB Statement No. 87. A lease liability is recognized for the total discounted present value of the future lease payments. A right-to-use asset is also recognized in an amount equivalent to the initial measurement of the lease liability. Separate calculations were made for each leasehold interest, based on property-significant annual rates ranging from 5.398% to 8.500%. Interest expense and lease amortization expense are recognized over the life of each respective leasehold interest.

The lease liability was \$8,782,181 as of December 31, 2022, and \$2,338,752 as of December 31, 2021. The right-to-use lease asset was \$9,641,314 as of December 31, 2022, and \$2,598,678 as of December 31, 2021. Interest expense related to leases was \$453,423 for 2022 and \$158,036 for 2021. Lease Amortization expense is calculated based on the straight-line method over the term of each respective leasehold interest. The amounts for December 31, 2022, and 2021 were \$1,138,683, and \$525,406, respectively. Future expected lease payments are summarized in the following table:

	Interest	Principal	Total
2023	\$ 504,457	\$ 542,345	\$ 1,046,802
2024	451,985	683,087	1,135,072
2025	407,161	286,037	693,198
2026	393,987	197,910	591,897
2027	385,139	107,942	493,081
2028-2032	1,840,344	571,330	2,411,674
2033-2037	1,632,323	1,022,999	2,655,322
2038-2042	1,279,829	1,651,861	2,931,690
2043-2047	729,960	2,506,863	3,236,823
2048-2049	175,364	1,211,809	1,387,173
	<u>\$7,800,549</u>	<u>\$ 8,782,181</u>	<u>\$ 16,582,730</u>

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Note 6: Capital Assets

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	December 31, 2021 (Restated)			December 31, 2022		
	Additions			Reductions		
Capital assets not being depreciated:						
Land	\$ 28,818,065	\$ 24,307,510		\$ 3,620,153		\$ 49,505,422
Construction in progress	18,982,051	123,805,276		-		142,787,327
Total non-depreciable assets	47,800,116	148,112,786		3,620,153		192,292,749
Capital assets being depreciated/ amortized:						
Buildings	81,722,446			-		81,722,446
Right to use lease assets	2,598,678	7,042,636				9,641,314
Leasehold improvements	36,646,188	109,470		-		36,755,658
Total depreciable/amortizable assets	120,967,312	7,152,106		-		128,119,418
Less: accumulated depreciation/ amortization	102,135,841	4,373,604		-		106,509,445
Capital assets – net	\$ 66,631,587	\$ 150,891,288	\$ 3,620,153	\$ 213,902,722		
	December 31, 2020 (Restated)			December 31, 2021 (Restated)		
	Additions			Reductions		
Capital assets not being depreciated:						
Land	\$ 28,818,065					\$ 28,818,065
Construction in progress	800,253	\$ 18,181,798				18,982,051
Total non-depreciable assets	29,618,318	18,181,798		-		47,800,116
Capital assets being depreciated/ amortized:						
Buildings	81,722,446					81,722,446
Right to use lease assets	2,598,678					2,598,678
Leasehold improvements	36,306,634	38,880				36,646,188
Total depreciable/amortizable assets	120,627,758	38,880		-		120,967,312
Less: accumulated depreciation/ amortization	97,626,830	4,509,011		-		102,135,841
Capital assets – net	\$ 52,619,246	\$ 13,711,667	\$ 66,631,587			

In 2022, the Authority continued with pre-construction (project design) work related to the New Jersey Wind Port project in Lower Alloways Creek Township, Salem County, which began in

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December 31, 2022 and 2021

2020. This included the purchase of a parcel of land within that township for approximately \$24.3 million. Separately, the Authority initiated construction related to the refurbishment of one of its buildings in North Brunswick Township, Middlesex County. Additionally, during 2022, the Authority listed a property in the Township of North Brunswick for sale and as such the land has been removed from capital assets and has been classified as a non-current asset as land held for sale on the statement of net position.

In 2021, the Authority continued with pre-construction (project design) work related to the New Jersey Wind Port project in Lower Alloways Creek Township, Salem County, which began in the prior year.

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, 2022, Debt was \$11,381,749 and Worth was \$327,139,238, with a ratio of 0.03 to 1.

(2) 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, 2022, the Fund had no Debt, and Worth was \$4,362,699.

(b) Loan Program Commitments and Project Financings

At December 31, 2022, the Authority has \$16,758,322 of loan commitments not yet closed or disbursed and \$119,381,579 of project financing commitments.

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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, and again in 2021, the Authority received appropriations from the United States Department of the 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, 2022 state and federal appropriations and program payments were \$449,708,493, \$79,117,784, and \$123,844,344, 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 2022 and 2021 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.

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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 years 2022 and 2021, 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, 2022, and 2021 was 14.07% and 13.88%, 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 100% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 100% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2021 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2021 for all State administered retirement systems.

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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 \$4,055,563 and \$3,310,048 for the years ended December 31, 2022, and 2021, respectively, equal to the required contributions.

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, 2022 and 2021, the Authority reported a liability of \$48.5 million and \$33.5 million for its proportionate share of the net pension liability for PERS, respectively. The net pension liability was measured as of June 30, 2022, and June 30, 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2021, and July 1, 2020. The actuarial valuations were rolled forward to June 30, 2022, and June 30, 2021 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, 2022, the Authority's proportion was 0.3216025821%, which was an increase of .0389621465% from its proportion measured as of December 31, 2021. At December 31, 2021, the Authority's proportion was 0.2826404356%, which was an increase of 0.0372443871%.

For the years ended December 31, 2022 and 2021, the Authority recognized pension (benefit) expense of \$120,822 and \$(2,001,307) for PERS, respectively. Pension expense is reported in the Authority's financial statements as part of salaries and benefits expense.

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At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	2022		2021	
	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	\$ 2,008,789	\$ -	\$ -	\$ 8,820,301
Changes of assumptions or other inputs	150,374	7,267,500	174,379	11,920,164
Changes in proportion	12,299,819	249,992	8,792,044	517,455
Difference between expected and actual experience	350,298	308,913	528,070	239,699
Contributions subsequent to the measurement date	2,027,782	-	1,655,024	-
	<u>\$ 16,837,062</u>	<u>\$ 7,826,405</u>	<u>\$ 11,149,517</u>	<u>\$ 21,497,619</u>

Deferred outflows of resources of \$2,027,782 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ (219,682)
2024	1,539,441
2025	1,942,839
2026	3,558,993
2027	161,284
	<u>\$ 6,982,875</u>

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Actuarial Methods and Assumptions

The collective pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following assumptions:

June 30, 2022 and 2021	
Inflation:	2.75% (Price) 3.25% (Wage)
Salary increases:	
June 30, 2022:	2.75 – 6.55% based on years of service
June 30, 2021:	
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-2021.

The actuarial assumptions used in the July 1, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. 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, 2022 and 2021) 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

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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:

2022		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

2021		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

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Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2022 and June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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% for PERS as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate as of December 31, 2022 and 2021, respectively:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
2022	\$ 62,352,303	\$ 48,534,257	\$ 36,774,543
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
2021	\$ 45,597,052	\$ 33,482,997	\$ 23,202,504

Plan Fiduciary Net Position

The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2022 and 2021 were \$32,568,122,309 and \$35,707,804,636, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2022 and 2021 was \$25,810,084,045 and \$28,386,785,177, respectively.

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Additional Information

Collective Local Group balances at June 30, 2022 are as follows:

Collective deferred outflows of resources	\$	1,660,772,008
Collective deferred inflows of resources		3,236,303,935
Collective net pension liability		15,219,184,920
Authority's proportion		0.3216025821%

Collective Local Group pension (benefit) expense for the Local Group for the measurement period ended June 30, 2022 and 2021 was \$(1,032,778,934) and \$(1,599,674,464) respectively. The average of the expected remaining service lives of all plan members is 5.04, 5.13, 5.16, 5.21, 5.63, and 5.48 years for the 2022, 2021, 2020, 2019, 2018, and 2017 amounts, respectively.

State Contribution Payable Dates

Prior to July 1, 2020 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2020 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 31st, at least 75% by March 31st, and at least 100% by June 30th.

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, 2022 and June 30, 2021 are \$1,288,683,017 and \$1,207,896,120, 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/annrpts.shtml in the Annual Comprehensive Financial Report of the State of New Jersey, Division of Pensions and Benefits.

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(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, 2022 and 2021, the following employees were covered by the benefit terms:

	<u>2022</u>	<u>2021</u>
Active employees	259	304
Inactive employees and/or beneficiaries currently receiving benefit payments	45	43
Total membership	<u>304</u>	<u>347</u>

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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, 2022, and 2021, the Authority's average contribution rate was 2.25 percent and 1.85 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 for the December 31, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022, which was rolled forward to December 31, 2022.

Actuarial Assumptions. The total OPEB liability in the January 1, 2022, 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	4.75%
Healthcare cost trend rates	7.0% grading down to an ultimate rate of 3.7% for <65, 6.7% grading down to an ultimate rate of 3.7% 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-2021 from 2010 base year and projected forward on a generational basis.

The actuarial assumptions used in the January 1, 2022, valuation were based on information provided by the Authority for the period of January 1, 2021 through December 31, 2021.

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 2.30%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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2022			
Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	BAML 3-Month T-Bills	2.50%	0.61%
US Intern (1-10) Treasury Bonds	Bloomberg Intern US Treasury	30.50%	1.26%
US Intern (1-10) Corporate Bonds	Bloomberg Intern Corporate	31.25%	2.74%
US Intern (1-10) Government	Bloomberg US Govt	7.00%	1.72%
US Municipal Bonds	Bloomberg Municipal	2.00%	1.71%
US Large Cap Equity	S&P 500	4.25%	5.64%
US Large & Mid Cap Equity	Russell 1000	14.25%	5.65%
US Large & Mid Cap Gr Equity	Russell 1000 Growth	4.00%	5.89%
US Mid Cap Equity	Russell MidCap	2.25%	5.99%
US Small Cap Equity	Russell 2000	2.00%	7.25%
		<u>100.00%</u>	
2021			
Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	BAML 3-Month T-Bills	0.25%	2.03%
US Intern (1-10) Treasury Bonds	Bloomberg Intern US Treasury	35.50%	2.82%
US Intern (1-10) Corporates	Bloomberg Intern Corporate	26.25%	4.24%
US Intern (1-10) Government	Bloomberg US Govt	6.00%	3.28%
US Municipal Bonds	Bloomberg Municipal	1.25%	2.90%
US Large & Mid Cap Equity	Russell 1000	25.50%	7.33%
US Large & Mid Cap Gr Equity	Russell 1000 Growth	3.50%	7.26%
US Mid Cap Equity	Russell MidCap	1.75%	7.85%
Total		<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total OPEB liability was 4.75 percent at December 31, 2022 and 4.50 percent at December 31, 2021. 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.

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Changes in Net OPEB (Asset) Liability

For the year ended December 31, 2022:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset) Liability
Net OPEB (asset) liability at the beginning of the year	\$ 24,001,000	\$ 45,973,896	\$ (21,972,896)
Changes for the year:			
Service Cost	1,223,343	-	1,223,343
Interest	1,120,684	-	1,120,684
Employer contributions	-	655,633	(655,633)
Effect economic/demographic changes	19,606	-	19,606
Effect change in assumptions/inputs	(547,000)	-	(547,000)
Net investment income	-	(4,932,836)	4,932,836
Benefit payments	(647,633)	(647,633)	-
Administrative expense	-	(11,300)	11,300
Net changes	1,169,000	(4,936,136)	6,105,136
Net OPEB (asset) liability at the end of the year	\$ 25,170,000	\$ 41,037,760	\$ (15,867,760)

For the year ended December 31, 2021:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset) Liability
Net OPEB (asset) liability at the beginning of the year	\$ 22,325,694	\$ 44,328,665	\$ (22,002,971)
Changes for the year:			
Service Cost	973,348	-	973,348
Interest	1,036,383	-	1,035,383
Employer contributions	-	542,605	(542,605)
Effect economic/demographic changes	579,180	-	579,180
Effect change in assumptions/inputs	(371,000)	-	(371,000)
Net investment income	-	1,656,531	(1,656,531)
Benefit payments	(542,605)	542,605	-
Administrative expense	-	11,300	11,300
Net changes	1,675,306	1,645,231	30,075
Net OPEB (asset) liability at the end of the year	\$ 24,001,000	\$ 45,973,896	\$ (21,972,896)

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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, 2022 and 2021, 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 or 1-percentage-point higher than the current discount rate as defined in the chart below for 2022 and 2021:

	1% Decrease (3.75%)	Discount Rate (4.75%)	1% Increase (5.75%)
2022	\$ (11,490,760)	\$ (15,867,760)	\$ (19,390,760)
	1% Decrease (3.50%)	Discount Rate (4.50%)	1% Increase (5.50%)
2021	\$ (17,969,347)	\$ (21,972,896)	\$ (25,407,896)

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, 2022, and 2021, 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 or 1-percentage-point higher than the current healthcare cost trend rates (defined in chart below for 2022 and 2021):

	1% Decrease (6.0 decreasing to 2.7%)	Healthcare Cost Trend Rates (7.0 decreasing to 3.7%)	1% Increase (8.0 decreasing to 4.7%)
2022	\$ (20,087,760)	\$ (15,867,760)	\$ (10,392,760)
	1% Decrease (4.7 decreasing to 2.7%)	Healthcare Cost Trend Rates (5.7 decreasing to 3.7%)	1% Increase (6.7 decreasing to 4.7%)
2021	\$ (25,887,896)	\$ (21,972,896)	\$ (16,910,896)

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.

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

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

For the years ended December 31, 2022 and 2021, the Authority recognized OPEB expense (benefit) of \$(1,602,009) and \$(2,936,834), respectively. OPEB expense (benefit) is reported in the Authority's financial statements as part of salaries and benefits expense. At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2022</u>		<u>2021</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference in experience	\$ 480,989	\$ 166,892	\$ 521,262	\$ 196,268
Changes of assumptions	-	14,402,232	-	16,276,487
Net difference between projected and actual earnings on OPEB plan investments	4,986,330	-	-	857,457
Totals	<u>\$ 5,467,319</u>	<u>\$ 14,569,124</u>	<u>\$ 521,262</u>	<u>\$ 17,330,212</u>

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

<u>Year Ended December 31:</u>	
2023	\$ (1,493,451)
2024	(1,169,960)
2025	(922,831)
2026	(990,436)
2027	(2,390,752)
Thereafter	(2,134,375)
Total	<u>\$ (9,101,805)</u>

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

Note 11: Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority recorded noncurrent liabilities in the amount of \$1,888,105 and \$2,018,861 as of December 31, 2022 and 2021, 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 2022 and 2021, the following changes in long-term liabilities are reflected in the statement of net position:

2022					
	Beginning Balance (Restated)	Additions	Deductions	Ending Balance	Due Within One Year
Net pension liability	\$ 33,482,997	\$ 15,051,260	\$ -	\$ 48,534,257	\$ -
Unearned lease revenue	4,891,330	-	(1,040,561)	3,850,769	1,216,150
Accrued guarantee losses	3,855,908	-	(141,891)	3,714,017	
Leases payable	2,338,752	7,042,636	(599,207)	8,782,181	542,345
Compensated absences	2,018,861	67,879	(198,635)	1,888,105	
Total long-term liabilities	<u>\$ 43,046,233</u>	<u>\$ 22,161,775</u>	<u>\$ (1,980,294)</u>	<u>\$ 66,769,329</u>	<u>\$ 1,758,495</u>

2021					
	Beginning Balance (Restated)	Additions	Deductions	Ending Balance (Restated)	Due Within One Year
Net pension liability	\$ 40,017,678	\$ -	\$ (6,534,681)	\$ 33,482,997	\$ -
Unearned lease revenue	5,937,934	-	(1,046,604)	4,891,330	1,202,863
Accrued guarantee losses	4,510,253	217,233	(871,578)	3,855,908	
Leases payable	2,598,678		(259,926)	2,338,752	575,553
Compensated absences	1,883,432	206,552	(71,123)	2,018,861	
Total long-term liabilities	<u>\$ 51,153,678</u>	<u>\$ 423,785</u>	<u>\$ (8,531,230)</u>	<u>\$ 43,046,233</u>	<u>\$ 1,778,416</u>

For further information, see Notes 10 and 11.

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

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: Change in Accounting Principle/Restatement

Effective in the year ended December 31, 2022, the Authority implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. The objective of this Statement is to establish standards of accounting and financial reporting for leases by lessees and lessors. The implementation of the Statement required a restatement of the prior year financial statements as follows:

	Balance December 31, 2021	Restatement	Restated Balance December 31, 2021
Current assets:			
Receivables:			
Leases	\$ -	\$ 4,132,573	\$ 4,132,573
Total receivables	22,329,854	4,132,573	26,462,427
Total current assets	532,160,170	4,132,573	536,292,743
Noncurrent assets:			
Receivables:			
Leases	-	30,021,819	30,021,819
Net notes receivable	173,527,861	30,021,819	203,549,680
Capital assets, net	64,558,315	2,073,272	66,631,587
Total noncurrent assets	428,973,943	32,095,091	461,069,034
Total assets	961,134,113	36,227,664	997,361,777
Current liabilities:			
Lease payable - current portion	-	575,553	575,553
Total current liabilities	12,660,768	575,553	13,236,321
Noncurrent liabilities:			
Long-term lease payable	-	1,763,199	1,763,199
Total noncurrent liabilities	43,046,233	1,763,199	44,809,432
Total liabilities	55,707,001	2,338,752	58,045,753
Deferred inflow of resources:			
Deferred inflows from leases		34,154,392	34,154,392
Total deferred inflows of resources	38,827,831	34,154,392	72,982,223
General and administrative expenses	8,269,880	(417,963)	7,851,917
Interest	615	158,037	158,652
Lease amortization	-	525,406	525,406
Total operating expenses	58,894,633	265,480	59,160,113
Operating loss	(25,588,358)	(265,480)	(25,853,838)
Change in net position	339,049,675	(265,480)	338,784,195
Net investment in capital assets	64,558,315	(265,480)	64,292,835
Total net position	\$ 878,270,060	\$ (265,480)	\$ 878,004,580

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Notes to Financial Statements (continued)

December 31, 2022 and 2021

Note 15: Subsequent Events

In May 2023, the Authority sold two land parcels. One parcel, in the City of Camden, with a carrying value of \$1.4 million was sold at cost. The second parcel, in the Township of North Brunswick, with a carrying value of \$3.6 million was sold for \$12.0 million.

In July 2023, the Authority received appropriations from the State of New Jersey totaling \$309.3 million from the State FY 2023 budget for the purposes of administering various state programs, including Main Street Recovery Fund; Strategic Innovation Centers; and Child Care Facilities Fund.

Required Supplementary Information

New Jersey Economic Development Authority
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Required Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016
	(\$ In Thousands)						
Service cost	\$ 1,223	\$ 973	\$ 891	\$ 1,703	\$ 1,967	\$ 1,900	\$ 1,836
Interest	1,121	1,036	972	1,765	1,606	1,492	1,387
Change in assumptions	(527)	209	-	(19,859)	(3,730)	-	-
Benefit payments	(648)	(543)	(449)	(420)	(588)	(643)	(655)
Net change in total OPEB liability	1,169	1,675	1,414	(16,811)	(745)	2,749	2,568
Total OPEB liability - beginning	24,001	22,326	20,912	37,723	38,468	35,719	35,151
Total OPEB liability - ending	\$ 25,170	\$ 24,001	\$ 22,326	\$ 20,912	\$ 37,723	\$ 38,468	\$ 35,719
Plan fiduciary net position							
Contributions - employer	\$ 656	\$ 543	\$ 449	\$ 420	\$ 5,307	\$ 1,220	\$ 1,162
Net investment income	(4,933)	1,657	3,092	3,325	86	486	382
Benefit payments	(648)	(543)	(449)	(420)	(588)	(643)	(655)
Administrative expenses	(11)	(12)	(11)	(22)	(21)	(21)	(21)
Net change in plan fiduciary net position	(4,936)	1,645	3,081	3,303	4,784	1,042	868
Plan fiduciary net position - beginning	45,974	44,329	41,248	37,945	33,161	32,119	31,251
Plan fiduciary net position - ending (b)	\$ 41,038	\$ 45,974	\$ 44,329	\$ 41,248	\$ 37,945	\$ 33,161	\$ 32,119
Authority's net OPEB (asset) liability - ending (a) - (b)	\$ (15,868)	\$ (21,973)	\$ 22,003	\$ (20,336)	\$ (222)	\$ (5,307)	\$ 3,600
Plan fiduciary net position as a percentage of the total OPEB liability	163.04%	191.55%	198.55%	197.25%	100.59%	86.20%	89.92%
Covered payroll	\$ 28,830	\$ 29,283	\$ 15,652	\$ 15,123	\$ 14,483	\$ 14,108	\$ 16,246
Authority's net OPEB liability (asset) as a percentage of covered payroll	55.04%	75.02%	140.58%	134.47%	1.53%	37.62%	22.16%

Notes to Schedule:

Changes of assumptions: In 2021, changes of assumptions decreased from \$19.7 m to \$0 m.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(\$ In Thousands)										
Actuarial determined contribution	\$ 648	\$ 543	\$ -	\$ 1,849	\$ 5,307	\$ 1,220	\$ 1,162	\$ 9,014	\$ 891	\$ 850
Employer contribution	648	543	449	420	5,307	1,220	1,162	9,014	891	850
Contribution deficiency (excess)	\$ -	\$ -	\$ (449)	\$ 1,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 28,830	\$ 29,289	\$ 15,652	\$ 15,123	\$ 14,483	\$ 14,108	\$ 16,246	\$15,819	\$14,535	\$10,971
Contributions as percentage of covered payroll	2.25%	1.85%	2.87%	2.78%	36.64%	8.65%	7.15%	56.98%	6.13%	7.75%

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Required Supplementary Information

Employee Benefit Trust

Schedule of Investment Returns

	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate							
of return, net of investment expense	-11.25%	3.75%	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, 2022 for 2021 and 2022; 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 2016-2022, Project Unit Credit Cost Method for 2011-2015
Amortization Method	Full recognition of unfunded liability as of December 31 for 2016-2022, Level Dollar Open (1 year) for 2011-2015
Asset Valuation Method	Market value
Inflation Rate	2.3% for 2016-2022, not indicated for 2011-2015
Investment Rate of Return	4.75% for 2022, 4.5% for 2018-2021, 4.0% for all years prior

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Required Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.32160%	0.28264%	0.24540%	0.23051%	0.23374%	0.23691%	0.22645%	0.21713%
Authority's proportionate share of the net pension liability	\$ 48,534,257	\$ 33,482,997	\$ 40,017,678	\$ 41,533,862	\$ 46,021,947	\$ 55,148,355	\$ 67,068,246	\$ 48,740,925
Authority's covered payroll	\$ 28,822,311	\$ 23,847,619	\$ 20,932,830	\$ 17,904,605	\$ 16,464,640	\$ 16,199,280	\$ 16,245,862	\$ 15,434,227
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	168.39%	140.40%	191.17%	231.97%	279.52%	340.44%	412.83%	315.80%
Plan fiduciary net position as a percentage of the total pension liability	46.41%	51.52%	42.90%	42.04%	40.45%	36.78%	31.20%	38.21%

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.

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Required Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 4,055,563	\$ 3,310,048	\$ 2,684,509	\$ 2,242,154	\$ 2,324,943	\$ 2,194,698	\$ 2,011,757	\$ 1,866,720	\$ 1,260,522	\$ 1,137,100
Contributions in relation to the contractually required contribution	4,055,563	3,310,048	2,684,509	2,242,154	2,324,943	2,194,698	2,011,757	1,866,720	1,260,522	1,137,100
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 28,822,311	\$ 23,847,619	\$ 20,932,830	\$ 17,904,605	\$ 16,464,640	\$ 16,184,953	\$ 16,245,862	\$ 15,818,820	\$ 14,535,358	\$ 10,970,510
Contributions as a percentage of covered payroll	14.07%	13.88%	12.82%	12.52%	14.12%	13.56%	12.38%	11.80%	8.67%	10.37%

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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	7.00% for 2022 and 2021, 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 2021, 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-2021 projection scale.