

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

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Financial Statements

Years Ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

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.

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

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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.

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

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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
September 10, 2024

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

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

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, 2023 and 2022. 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.

2023 FINANCIAL HIGHLIGHTS

- The Authority's total net position increased \$635.6 million (or 80.1%) 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.
- Program Services fees increased \$9.5 million (or 149.4%) due to an increase in post-closing servicing fees for new initiatives.
- Interest income from investments increased \$20.8 million (or 287.6%) due to an increase in interest rates coupled with an increase in cash.
- The net pension liability increased \$8.1 million (or 16.6%) while administrative expenses increased \$14.6 million (or 26.6%) 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 \$13.2 million (or 61.0%) due largely to increased expenditures for the administration of new initiatives.
- Loss provision expense-net increased \$20.1 million (or 1667.1%) due to an increase in disbursements related to the Main Street Business Loan program.
- State and Federal appropriations increased \$248.4 million (or 47.0%) and program payments decreased \$22.6 million (or 18.2%) due largely to the timing of receipt and subsequent disbursement of various state and federal funds for business emergency assistance and economic recovery programs.

New Jersey Economic Development Authority
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Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

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
(a component unit of the State of New Jersey)

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position. The following table summarizes the Statement of Net Position at December 31, 2023, 2022 and 2021:

| | 2023 | 2022 | 2021 | % Increase/(Decrease) | |
|--------------------------------------|------------------|------------------|----------------|-----------------------|-----------|
| | | | | 2023/2022 | 2022/2021 |
| Assets: | | | | | |
| Other assets | \$ 1,627,625,052 | \$ 1,161,400,723 | \$ 930,730,190 | 40.1% | 53.6% |
| Capital assets, net | 391,379,425 | 213,902,722 | 66,631,587 | 83.0% | 28.3% |
| Total assets | 2,019,004,477 | 1,375,303,445 | 997,361,777 | 46.8% | 51.6% |
| Deferred outflows of resources: | | | | | |
| Deferred outflow related to pension | 21,383,393 | 16,837,062 | 11,149,517 | 27.0% | 35.2% |
| Deferred outflow related to OPEB | 4,131,940 | 5,467,319 | 521,262 | -24.4% | 100.0% |
| Total deferred outflows of resources | 25,515,333 | 22,304,381 | 11,670,779 | 14.4% | 41.6% |
| Liabilities: | | | | | |
| Current liabilities | 66,853,347 | 49,284,762 | 13,236,321 | 35.6% | -11.7% |
| Net pension liability | 56,591,208 | 48,534,257 | 33,482,997 | 16.6% | -16.3% |
| Other noncurrent liabilities | 14,701,449 | 16,476,577 | 11,326,435 | -10.8% | 45.5% |
| Total liabilities | 138,146,004 | 114,295,596 | 58,045,753 | 20.9% | 96.9% |
| Deferred inflows of resources: | | | | | |
| Deferred inflow related to pension | 3,690,501 | 7,826,405 | 21,497,619 | -52.8% | 21.6% |
| Deferred inflow related to OPEB | 12,118,493 | 14,569,124 | 17,330,212 | -16.8% | -12.4% |
| Deferred inflow related to Leases | 24,077,316 | 30,021,819 | 34,154,392 | -19.8% | -12.1% |
| Total deferred inflows of resources | 39,886,310 | 52,417,348 | 72,982,223 | -23.9% | 3.7% |
| Net position: | | | | | |
| Net investment in capital assets | 383,286,234 | 205,120,541 | 64,292,835 | 86.9% | 28.3% |
| Restricted | 79,419,033 | 33,217,633 | 32,369,782 | 139.1% | 3.1% |
| Unrestricted | 1,403,782,229 | 992,556,708 | 781,341,963 | 41.4% | 70.8% |
| Total net position | \$ 1,866,487,496 | \$ 1,230,894,882 | \$ 878,004,580 | 51.6% | 62.9% |

During 2023, the Authority's combined net position increased by \$635.6 million due to:

| | |
|------------------|---|
| \$ 296.5 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 |
| \$ 48.9 Million | Federal American Rescue Act appropriations received for COVID-19 programs – net of disbursements |
| \$ 46.1 Million | Increase in State appropriations for the Small Business Credit Initiative (SSBCI) – net of program payments. |
| \$ 156.2 Million | Increase in State appropriations for Wind Port initiative construction in progress – net of scheduled depreciation on other Authority capital assets |

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

Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

| | |
|----------------|--|
| \$ 81 Million | State appropriations in for various programs (Film Industry Strategic Support, Child Care Employer Innovation, and Emerging Developers Fund, etc.) |
| \$ 6.9 Million | Net appropriations relating to other Authority programs |

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 |

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

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

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Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

The following table summarizes the changes in operating and non-operating activities between fiscal years 2023, 2022 and 2021:

| | 2023 | 2022 | 2021 | % Increase/(Decrease) | |
|---|------------------|------------------|----------------|-----------------------|-----------|
| | | | | 2023/2022 | 2022/2021 |
| Operating revenues: | | | | | |
| Financing fees | \$ 9,383,884 | \$ 4,545,292 | \$ 5,379,598 | 106.5% | -15.5% |
| Lease revenue | 9,196,572 | 8,394,798 | 9,137,042 | 9.6% | -8.1% |
| Interest income: | | | | | |
| Notes and Leases | 5,431,482 | 6,262,048 | 5,912,966 | -13.3% | 5.9% |
| Other | 24,563,917 | 14,698,487 | 12,876,669 | 67.1% | 14.1% |
| Total operating revenues | 48,575,855 | 33,900,625 | 33,306,275 | 43.3% | 1.8% |
| Operating expenses: | | | | | |
| Administrative expenses | 69,695,549 | 55,050,289 | 33,347,877 | 26.6% | 65.1% |
| Interest expense | 505,717 | 453,422 | 158,652 | 11.5% | 185.8% |
| Depreciation | 3,386,997 | 3,500,402 | 3,983,605 | -3.2% | -12.1% |
| Lease Amortization | 867,644 | 873,202 | 525,406 | -0.6% | 100.0% |
| Loss provisions – net | 21,307,606 | 1,205,012 | 2,935,491 | 1668.2% | -59.0% |
| Program costs | 34,929,479 | 21,694,045 | 18,209,082 | 61.0% | 19.1% |
| Total operating expenses | 130,692,992 | 82,776,372 | 59,160,113 | 57.9% | 39.9% |
| Operating (loss) | (82,117,137) | (48,875,747) | (25,853,838) | 68.0% | 89.0% |
| Nonoperating revenues and (expenses): | | | | | |
| Interest income – investments | 28,076,562 | 7,242,924 | 3,820,732 | 287.6% | 89.6% |
| Gain on sale of assets-net | 8,379,846 | | | 100.0% | |
| State and Federal appropriations | 777,184,437 | 528,826,277 | 817,722,311 | 47.0% | -35.3% |
| Program payments | (101,255,024) | (123,844,344) | (451,866,149) | -18.2% | -72.6% |
| Other (expense) revenue | 5,323,930 | (10,458,808) | (5,038,861) | -150.9% | 107.6% |
| Total nonoperating revenues and (expenses), net | 717,709,751 | 401,766,049 | 364,638,033 | 78.6% | 10.2% |
| Change in net position | 635,592,614 | 352,890,302 | 338,784,195 | 80.1% | 4.2% |
| Beginning net position | 1,230,894,882 | 878,004,580 | 539,220,385 | | |
| Ending net position | \$ 1,866,487,496 | \$ 1,230,894,882 | \$ 878,004,580 | | |

Operating Revenues

In 2023, the Authority's operating revenues increased in the areas of financing fees and program services fees. The former due largely to the implementation of the Aspire tax credit program, as well as an increase in loan closing fees; the latter related to the annual servicing fees for legacy tax incentive programs, as well as the administration of the offshore wind program and the Regional Greenhouse Gas Initiative.

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.

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Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

Operating Expenses

In 2023, 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 provision expenses increased due to a significant increase in loan closings for the Main Street Business Loan program.

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.

Non-Operating Revenues and Expenses – Net

In 2023, non-operating revenues and expenses – net, increased by \$315.9 million, due to the timing of receipts and disbursements of state appropriations related to both the Stronger NJ Business programs and various other newly created program initiatives, and also due to an increase in interest income on investments, related to the receipt of these appropriations, coupled with an increase in short-term interest rates.

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.

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).

New Jersey Economic Development Authority
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Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

The following table summarizes the Loan Allowance activity for the end of the period from December 31, 2021 through December 31, 2023:

| | | |
|--------------------------------------|---------------|----------------------|
| December 31, 2021 | | |
| Allowance for loan losses | \$ 35,245,633 | |
| Accrued guarantee losses | 3,855,908 | |
| Total allowance | | \$ 39,101,541 |
| 2022 Provision for credit losses-net | 1,396,121 | |
| 2022 Write-offs | (664,518) | 731,603 |
| December 31, 2022 | | |
| Allowance for loan losses | 36,119,127 | |
| Accrued guarantee losses | 3,714,017 | |
| Total allowance | | 39,833,144 |
| 2023 Provision for credit losses-net | 20,408,935 | |
| 2023 Write-offs | (1,165,280) | 19,243,655 |
| December 31, 2023 | | |
| Allowance for loan losses | 55,473,799 | |
| Accrued guarantee losses | 3,603,000 | |
| Total allowance | | \$ 59,076,799 |

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, 2023 was \$272,090,277, of which \$261,818,277 or 96% is for loans and \$10,272,000 for issued loan guarantees.

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.

At December 31, 2023, the Authority maintained a Credit Loss Allowance of \$59,076,799 or 21.7% of total exposure to cover potential losses in the loan and guaranty portfolio. Total write-offs for the year ended December 31, 2023, were \$1,165,280 or 0.4% of the loan and guaranty exposure.

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 \$664,518 or 0.3% of the loan and guaranty exposure.

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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 2023 Loss Provisions – Net, of \$20.7 million, are related to the following detailed information:

| | | |
|----|------------|---|
| \$ | 20,408,935 | Loan and Guarantee Program activity |
| \$ | 271,121 | Venture Capital Funds and Capital Investments |

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 |

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 2023, 2022 and 2021:

| | 2023 | 2022 | 2021 | % Increase/(Decrease) | |
|--|----------------|----------------|---------------|-----------------------|-----------|
| | | | | 2023/2022 | 2022/2021 |
| Land | \$ 48,629,422 | \$ 49,505,422 | \$ 28,818,065 | -1.8% | 71.8% |
| Construction in progress | 325,266,814 | 142,787,327 | 18,982,051 | 127.8% | 652.2% |
| Total non-depreciable capital assets | 373,896,236 | 192,292,749 | 47,800,116 | 94.4% | 302.3% |
| Building | 81,722,446 | 81,722,446 | 81,722,446 | 0.0% | 0.0% |
| Capital asset right to use lease | 7,375,059 | 8,242,703 | 2,598,678 | -10.5% | 217.2% |
| Leasehold improvements | 36,883,519 | 36,755,662 | 36,646,188 | 0.3% | 0.3% |
| Total depreciable/amortizable capital assets | 125,981,024 | 126,720,811 | 120,967,312 | -0.6% | 4.8% |
| Less accumulated depreciation/amortization | (108,497,835) | (105,110,838) | (102,135,841) | 3.2% | 2.9% |
| Capital assets – net | \$ 391,379,425 | \$ 213,902,722 | \$ 66,631,587 | 83.0% | 221.0% |

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Management's Discussion and Analysis

Years Ended December 31, 2023 and 2022

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,

| | 2023 | 2022 |
|---|----------------|----------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents – restricted | \$ 952,864,210 | \$ 513,038,720 |
| Cash and cash equivalents – unrestricted | 173,026,285 | 196,682,928 |
| Investments | 40,129,832 | 53,821,437 |
| Receivables: | | |
| Notes | 29,381,344 | 16,978,994 |
| Accrued interest on notes | 177,706 | 708,116 |
| Accrued interest on investments | 1,218,967 | 919,858 |
| Leases | 4,901,975 | 4,904,315 |
| Other receivables | 3,459,102 | 6,449,053 |
| Total receivables | 39,139,094 | 29,960,336 |
| Prepaid and other current assets | 670,742 | 1,939,010 |
| Total current assets | 1,205,830,163 | 795,442,431 |
| Noncurrent assets: | | |
| Investments – unrestricted | 156,209,828 | 135,671,389 |
| Venture capital partnerships | 43,413,267 | 22,566,416 |
| Equity investments | 8,554,984 | 4,713,239 |
| Net other postemployment benefits asset | 16,124,824 | 15,867,760 |
| Land held for resale | | 3,620,153 |
| Prepaid and other noncurrent assets | 1,633,628 | 586,070 |
| Receivables: | | |
| Notes | 232,436,882 | 193,990,489 |
| Accrued interest on notes | 26,814 | 14,461 |
| Leases | 19,175,342 | 25,117,504 |
| Unamortized discount | (306,881) | (70,062) |
| Total receivables | 251,332,157 | 219,052,392 |
| Allowance for doubtful notes receivable | (55,473,799) | (36,119,127) |
| Net notes receivable | 195,858,358 | 182,933,265 |
| Non-depreciable capital assets | 373,896,236 | 192,292,749 |
| Right to use lease assets, net | 7,375,059 | 8,242,703 |
| Depreciable/amortizable capital assets, net | 10,108,130 | 13,367,270 |
| Total capital assets, net | 391,379,425 | 213,902,722 |
| Total noncurrent assets | 813,174,314 | 579,861,014 |
| Total assets | 2,019,004,477 | 1,375,303,445 |
| Deferred outflows of resources | | |
| Deferred outflows pension related | 21,383,393 | 16,837,062 |
| Deferred outflows OPEB related | 4,131,940 | 5,467,319 |
| Total deferred outflows of resources | \$ 25,515,333 | \$ 22,304,381 |

See accompanying notes.

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

Statements of Net Position (continued)

| | December 31, | |
|---|-------------------------|-------------------------|
| | 2023 | 2022 |
| Liabilities | | |
| Current liabilities: | | |
| Accrued liabilities | \$ 37,279,484 | \$ 38,311,302 |
| Unearned lease revenues | 1,139,104 | 1,216,150 |
| Leases payable | 693,066 | 542,345 |
| Lessee interest payable | 258,663 | 94,402 |
| Escrow deposits | 27,483,030 | 9,120,563 |
| Total current liabilities | <u>66,853,347</u> | <u>49,284,762</u> |
| Noncurrent liabilities: | | |
| Net pension liability | 56,591,208 | 48,534,257 |
| Leases payable | 7,400,125 | 8,239,836 |
| Unearned lease revenues | 1,580,771 | 2,634,619 |
| Accrued guarantee losses | 3,603,000 | 3,714,017 |
| Compensated absences | 2,117,553 | 1,888,105 |
| Total noncurrent liabilities | <u>71,292,657</u> | <u>65,010,834</u> |
| Total liabilities | <u>138,146,004</u> | <u>114,295,596</u> |
| Deferred inflows of resources | | |
| Deferred inflows pension related | 3,690,501 | 7,826,405 |
| Deferred inflows OPEB related | 12,118,493 | 14,569,124 |
| Deferred inflows lease related | 24,077,316 | 30,021,819 |
| Total deferred inflows of resources | <u>39,886,310</u> | <u>52,417,348</u> |
| Net position | | |
| Net investment in capital assets | 383,286,234 | 205,120,541 |
| Restricted by Federal and State agreement | 79,419,033 | 33,217,633 |
| Unrestricted | 1,403,782,229 | 992,556,708 |
| Total net position | <u>\$ 1,866,487,496</u> | <u>\$ 1,230,894,882</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,

| | 2023 | 2022 |
|---|-------------------------|-------------------------|
| Operating revenues | | |
| Financing fees | \$ 9,383,884 | \$ 4,545,292 |
| Interest income – notes | 4,075,058 | 4,639,714 |
| Interest income – leases | 1,356,424 | 1,622,334 |
| Operating lease revenue | 9,196,572 | 8,394,798 |
| Agency fees | 2,007,407 | 2,180,227 |
| Program services | 15,827,391 | 6,346,016 |
| Real estate development | 4,051,999 | 4,369,011 |
| Distributions and warrants | 147,814 | 259,107 |
| Other | 2,529,306 | 1,544,126 |
| Total operating revenue | <u>48,575,855</u> | <u>33,900,625</u> |
| Operating expenses | | |
| Salaries and benefits | 52,222,714 | 42,182,446 |
| General and administrative | 17,460,963 | 12,867,843 |
| Interest | 505,717 | 453,422 |
| Program costs | 34,941,351 | 21,694,045 |
| Depreciation | 3,386,997 | 3,500,402 |
| Lease amortization | 867,644 | 873,202 |
| Loss provisions – net | 21,307,606 | 1,205,012 |
| Total operating expenses | <u>130,692,992</u> | <u>82,776,372</u> |
| Operating loss | <u>(82,117,137)</u> | <u>(48,875,747)</u> |
| Nonoperating revenues (expenses) | | |
| Interest income – investments | 28,076,562 | 7,242,924 |
| Unrealized (loss) gain on investment securities | 5,323,930 | (10,458,808) |
| State and Federal appropriations | 777,184,437 | 528,826,277 |
| Gain on Sale of Assets - net | 8,379,846 | |
| Program payments | (101,255,024) | (123,844,344) |
| Nonoperating revenues – net | <u>717,709,751</u> | <u>401,766,049</u> |
| Change in net position | 635,592,614 | 352,890,302 |
| Net position – beginning of year | 1,230,894,882 | 878,004,580 |
| Net position – end of year | <u>\$ 1,866,487,496</u> | <u>\$ 1,230,894,882</u> |

See accompanying notes.

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

Statements of Cash Flows

| | Year Ended December 31, | |
|---|-------------------------|----------------|
| | 2023 | 2022 |
| Cash flows from operating activities | | |
| Cash receipts from financing fees | \$ 9,310,361 | \$ 4,545,292 |
| Interest from notes | 4,489,601 | 5,313,202 |
| Lease rents | 9,304,923 | 9,061,931 |
| Agency fees | 2,148,411 | 2,225,442 |
| Program services | 17,549,870 | 7,145,099 |
| Real estate development | 4,095,947 | 4,403,796 |
| General and administrative expenses paid | (64,461,444) | (57,423,500) |
| Program costs paid | (38,208,748) | (16,218,163) |
| Collection of notes receivable | 23,840,177 | 34,517,254 |
| Loans disbursed | (75,854,201) | (20,012,901) |
| Deposits received | 72,539,640 | 29,631,162 |
| Deposits released | (54,177,173) | (23,366,333) |
| Net cash (used in) operating activities | (89,422,636) | (20,177,719) |
| Cash flows from noncapital financing activities | | |
| Appropriations received | 776,388,514 | 521,419,706 |
| Program payments | (99,805,127) | (122,590,156) |
| Net cash provided by noncapital financing activities | 676,583,387 | 398,829,550 |
| Cash flows from capital and related financing activities | | |
| Sale of capital assets | 13,401,000 | |
| Purchase of capital assets | (185,827,296) | (126,721,590) |
| Net cash (used in) capital and related financing activities | (172,426,296) | (126,721,590) |
| Cash flows from investing activities | | |
| Interest from investments | 27,777,454 | 7,084,509 |
| Return on capital investments | (24,820,158) | (8,339,136) |
| Purchase of investments | (4,796,316) | (6,391,471) |
| Proceeds from sales and maturities of investments | 3,273,412 | 845,647 |
| Net cash provided by/(used in) investing activities | 1,434,392 | (6,800,451) |
| Net increase in cash and cash equivalents | 416,168,847 | 245,129,790 |
| Cash and cash equivalents – beginning of year | 709,721,648 | 464,591,858 |
| Cash and cash equivalents – end of year | \$ 1,125,890,495 | \$ 709,721,648 |
| Cash and cash equivalents - restricted | \$ 952,864,210 | \$ 513,038,720 |
| Cash and cash equivalents - unrestricted | 173,026,285 | 196,682,928 |
| Cash and cash equivalents total | \$ 1,125,890,495 | \$ 709,721,648 |

See accompanying notes.

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

Statements of Cash Flows (continued)

| | Year Ended December 31, | |
|---|-------------------------|------------------------|
| | 2023 | 2022 |
| Reconciliation of operating loss to net cash used in operating activities | | |
| Operating loss | \$ (82,117,137) | \$ (48,875,747) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Loss provisions - net | 20,610,862 | 1,199,896 |
| Depreciation | 3,386,997 | 3,500,402 |
| Lease amortization | 879,516 | 873,202 |
| Amortization of discounts | (370,084) | (409,886) |
| Change in assets and liabilities: | | |
| Notes receivables | (52,014,024) | 14,502,573 |
| Accrued interest receivables-notes | 517,965 | 471,732 |
| Other receivables | 8,418,178 | (45,409,014) |
| Prepaid and other noncurrent assets | (600,861) | (268,570) |
| Capital investments | (147,815) | (259,107) |
| Accrued liabilities | (4,413,306) | 43,202,196 |
| Unearned lease revenues | (1,130,894) | (1,040,561) |
| Deposits | 18,362,467 | 6,264,828 |
| Other liabilities | (804,500) | 6,070,337 |
| Net cash (used in) operating activities | <u>\$ (89,422,636)</u> | <u>\$ (20,177,719)</u> |

See accompanying notes.

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

Employee Benefit Trust

Statements of Fiduciary Net Position

| | December 31, | |
|---|----------------------|----------------------|
| | 2023 | 2022 |
| Assets | | |
| Cash and cash equivalents | \$ 185,859 | \$ 978,358 |
| Investments: | | |
| U.S. Treasury securities | 12,614,951 | 12,495,467 |
| U.S. Agency securities | 2,937,548 | 2,865,966 |
| Corporate bonds | 14,997,075 | 12,794,014 |
| Municipal bonds | 803,181 | 778,978 |
| Total Fixed Income | 31,352,755 | 28,934,425 |
| Equities | 13,396,100 | 10,968,472 |
| Total investments | 44,748,855 | 39,902,897 |
| Accrued interest receivable | 216,270 | 164,505 |
| Total Assets | 45,150,984 | 41,045,760 |
| Liabilities | | |
| Accounts payable and accrued expenses | 12,160 | 8,000 |
| Total liabilities | 12,160 | 8,000 |
| Net position – restricted for OPEB | \$ 45,138,824 | \$ 41,037,760 |

See accompanying notes.

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

Employee Benefit Trust

Statements of Changes in Fiduciary Net Position

| | Year Ended December 31, | |
|--|--------------------------------|----------------------|
| | 2023 | 2022 |
| Additions | | |
| Employer contributions | \$ 836,376 | \$ 655,633 |
| Total contributions | 836,376 | 655,633 |
| Investment income: | | |
| Interest and dividends | 916,208 | 912,507 |
| Net (decrease) increase in fair value of investments | 3,196,316 | (5,845,343) |
| Net investment income | 4,112,524 | (4,932,836) |
| Total additions | 4,948,900 | (4,277,203) |
| Deductions | | |
| Insurance premiums | 836,376 | 647,633 |
| Administrative expense | 8,160 | 8,000 |
| Other fees | 3,300 | 3,300 |
| Total deductions | 847,836 | 658,933 |
| Net change in Fiduciary Net Position | 4,101,064 | (4,936,136) |
| Net position – restricted for OPEB | | |
| Beginning of year | 41,037,760 | 45,973,896 |
| End of year | <u>\$ 45,138,824</u> | <u>\$ 41,037,760</u> |

See accompanying notes.

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

Notes to Financial Statements

December 31, 2023 and 2022

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.

New Jersey Economic Development Authority
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Notes to Financial Statements (continued)

December 31, 2023 and 2022

(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 and American Rescue Plan Act allocations 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.

New Jersey Economic Development Authority
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Notes to Financial Statements (continued)

December 31, 2023 and 2022

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 \$54,827,148 and \$50,519,545 at December 31, 2023 and 2022, respectively. The following is a summary of the programs that the Authority manages on behalf of other State entities:

| Department/Board | Program | 2023 | 2022 |
|---------------------------|---------------------------------------|---------------|---------------|
| Treasury | Local Development Financing Fund | \$ 48,294,542 | \$ 43,929,971 |
| Board of Public Utilities | BPU Clean Energy Program | | 17,115 |
| Treasury | Business Employment Incentive Program | 6,532,606 | 6,572,459 |

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, 2023 and 2022

(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,

New Jersey Economic Development Authority
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Notes to Financial Statements (continued)

December 31, 2023 and 2022

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.

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.

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Notes to Financial Statements (continued)

December 31, 2023 and 2022

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 (ii) 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 (i) 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 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.

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Notes to Financial Statements (continued)

December 31, 2023 and 2022

(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. 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

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Notes to Financial Statements (continued)

December 31, 2023 and 2022

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 has determined that this statement did not have a material effect on its 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 has determined that this statement did not have a material effect on its financial statements.

GASB issued Statement No. 101, *Compensated Absences* in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged. The Authority is in the process of evaluating the impact of adoption on the financial statements.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Authority is in the process of evaluating the impact of adoption on the financial statements.

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June

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15, 2025, and all reporting periods thereafter. The Authority is in the process of evaluating the impact of adoption on the financial statements.

(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, 2023, the Authority's bank balance was \$182,374,497. Of the bank balance, \$1,000,000 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, 2023 and 2022, 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, 2023 and 2022 were as follows:

| <u>Deposit Type</u> | <u>2023</u> | <u>2022</u> |
|-----------------------|-----------------------|----------------------|
| NOW Accounts | \$ 163,273,437 | \$ 93,046,850 |
| Money Market Accounts | 9,752,848 | 9,464,913 |
| Total Deposits | <u>\$ 173,026,285</u> | <u>\$102,511,763</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, 2023 and 2022, the Authority's total investments, excluding capital investments, amounted to \$196,339,660 and \$189,492,826, 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 ladderred, 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

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various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries; short-term commercial paper; U.S. Agency Bonds; Corporate Bonds; and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2023 and 2022, the Authority's balance in the NJCMF is \$792,126,262 and \$606,364,238, 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, 2023 and 2022, 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, 2023, no investments exceeded 5% of the total. At December 31, 2022, \$12,556,942 or 6.63% 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, 2023 and 2022, the Authority had the following investments and maturities:

| | | December 31, 2023 | | | |
|--|-------|-------------------|--------------------|-------------------------|---------------------------------------|
| Investment Type | Level | Fair Value | Maturities Year | Maturities 1–5 Years | Fair Value as of December 31, 2022 |
| Investments by fair value level | | | | | |
| Debt Securities: | | | | | |
| U.S. Treasuries | 1 | \$ 90,162,637 | \$ 10,028,656 | \$ 80,133,981 | \$ 76,209,253 |
| U.S. Agencies | 2 | 11,031,986 | 2,996,847 | 8,035,139 | 18,274,194 |
| Corporate Bonds | 2 | 81,477,564 | 18,199,094 | 63,278,470 | 71,573,095 |
| Municipal Bonds | 2 | 12,236,925 | 8,905,235 | 3,331,690 | 14,813,099 |
| Commercial Paper | 2 | - | - | - | 1,394,323 |
| Certificate of deposit | 2 | 1,430,548 | - | 1,430,548 | 7,228,862 |
| Mutual Bond Funds | 1 | 160,737,948 | 160,737,948 | - | 845,647 |
| Total investments by fair value level | | 357,077,608 | \$ 200,867,780 | \$ 156,209,828 | 190,338,473 |
| Investment Pool at NAV | | | | | |
| State of NJ Cash Management Fund | | 792,126,262 | | | 606,364,238 |
| Total investments measured at fair value | | 1,149,203,870 | | | 796,702,711 |
| Less: amounts reported as cash equivalents | | (952,864,210) | | | (607,209,885) |
| Total investments | | \$ 196,339,660 | | | \$ 189,492,826 |

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

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formed with the primary purpose of providing venture capital to exceptionally talented entrepreneurs dedicated to the application of proprietary technologies or unique services in emerging markets and whose companies are in the expansion stage. At December 31, 2023 and 2022, the aggregate value of the Authority's investment in these funds is \$43,413,267 and \$22,566,416, 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, 2023 and 2022, the Authority also held other equity investments of \$8,554,984 and \$4,713,239, 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 | 2023 Exposure | 2022 Exposure |
|---------------------------|--------------------------|--------------------------|
| Equities | 29.8% | 26.8% |
| Fixed Income: | | |
| U.S. Treasury | 28.1 | 30.6 |
| U.S. Agency | 6.5 | 7.0 |
| Corporate bonds | 33.4 | 31.3 |
| Municipal | 1.8 | 1.9 |
| Cash and cash equivalents | 0.4 | 2.4 |

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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, 2023 | | | | | | |
|---|-------|-----------------------------|---------------------|-------------------------|--------------------------|---------------------------------------|
| Investment Type | Level | Fair Value | Investments Year | Maturities 1–5 Years | Maturities 6–10 Years | Fair Value as of December 31, 2022 |
| Investments by fair value level | | | | | | |
| U.S. Treasuries | 1 | \$ 12,614,951 | \$ 1,528,633 | \$ 8,160,627 | \$ 2,925,691 | \$ 12,495,467 |
| U.S. Agencies | 2 | 2,937,548 | 498,275 | 1,355,859 | 1,083,414 | 2,865,966 |
| Corporate Bonds | 2 | 14,997,075 | 1,155,588 | 8,030,269 | 5,811,218 | 12,794,014 |
| Municipal Bonds | 2 | 803,181 | 500,173 | 303,008 | - | 778,978 |
| Mutual bond funds | 1 | 185,859 | 185,859 | - | - | 978,358 |
| Mutual funds | 1 | 13,396,100 | - | - | - | 10,968,472 |
| Total investments by fair value level | | 44,934,714 | 3,868,528 | 17,849,763 | 9,820,323 | 40,881,255 |
| Less amounts reported as cash equivalents per the financial statements | | <u>(185,859)</u> | | | | <u>(978,358)</u> |
| Total investments per the financial statements | | <u>\$ 44,748,855</u> | | | | <u>\$ 39,902,897</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, 2023.

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 (\$2,937,548) and U.S. Treasuries (\$12,614,951) are rated AA+ by Standard & Poor's ("S&P"). Corporate bonds were rated AAA/AA+/AA/AA-/A+/A/A-/BBB+/BBB (\$14,997,075) by S&P. Municipal bonds were rated Aa1, Aa3 (\$803,181) by Moody's. The Dreyfus Cash Management Fund (\$185,859) was rated AAA by S&P.

As of December 31, 2023, the Trust's fixed income investments totaled \$31,352,755.

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, 2023, 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, 2023 is 3.54 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 9.52% and (11.25)% for the years ended December 31, 2023 and 2022, 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, | |
|--|-----------------------|-----------------------|
| | 2023 | 2022 |
| Economic Development Fund ("EDF") loan program; interest ranging up to 5.4%; maximum term of 12 years | \$ 19,896,721 | \$ 32,963,783 |
| Economic Recovery Fund ("ERF") loan and guarantee programs; interest ranging up to 6.6%; maximum term of 26 years | 152,589,943 | 84,390,761 |
| Hazardous Discharge Site Remediation ("HDSR") loan program; interest ranging up to 5.0%; maximum term of 8 years | 770,681 | 1,552,302 |
| Municipal Economic Recovery Initiative ("MERI") loan program; interest ranging up to 3.0%; maximum term of 4 years | 115,575 | 143,875 |
| Stronger NJ Business (SNJ) loan program; interest ranging up to 2.6%; maximum term of 30 years | 78,692,086 | 82,097,975 |
| United States Economic Development Authority (USEDA) loan program; interest rate of 0.0%; maximum term of 10 years | 9,753,220 | 9,820,787 |
| | <u>\$ 261,818,226</u> | <u>\$ 210,969,483</u> |

Aggregate Notes Receivable activity for the year ended December 31, 2023 was as follows:

| | Beginning Balance | Loan Disbursements | Loan Receipts | Write-offs, Adjustments, Net | Ending Balance | Amounts Due Year |
|---------|------------------------------|-------------------------------|--------------------------|---|---------------------------|-----------------------------|
| EDF/ERF | \$ 117,354,544 | \$ 70,689,896 | \$ (15,200,623) | \$ (357,152) | \$ 172,486,665 | \$ 23,901,872 |
| HDSR | 1,552,302 | 83,444 | (180,621) | (684,444) | 770,681 | 546,945 |
| MERI | 143,875 | - | (28,300) | - | 115,575 | 31,568 |
| SNJ | 82,097,975 | 5,039,365 | (8,344,080) | (101,174) | 78,692,086 | 3,678,019 |
| USEDA | 9,820,787 | - | (67,568) | - | 9,753,219 | 1,222,940 |
| | <u>\$ 210,969,483</u> | <u>\$ 75,812,705</u> | <u>\$ (23,821,192)</u> | <u>\$ (1,142,770)</u> | <u>\$ 261,818,226</u> | <u>\$ 29,381,344</u> |

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Note 5: Leases

(i) Authority as Lessor

At December 31, 2023, capital assets with a carrying value of \$130,432,815 and accumulated depreciation of \$98,539,831 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:

| | |
|-----------|----------------------|
| 2024 | \$ 7,099,495 |
| 2025 | 4,219,362 |
| 2026 | 3,556,204 |
| 2027 | 2,328,069 |
| 2028 | 2,179,381 |
| 2029-2033 | 11,917,815 |
| 2034-2038 | 1,510,572 |
| | <u>\$ 32,810,898</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 2023 and 2022. Interest income and lease revenue is recognized over the life of the lease. The receivable was \$24,077,317 as of December 31, 2023, and \$30,021,819 as of December 31, 2022. 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 \$1,356,424 for 2023 and \$1,622,334 for 2022. Future expected lease payments are summarized in the following table:

| | Lease Interest Revenue | Lease Receivables/ Deferred Inflows | Total |
|-----------|---------------------------|--|----------------------|
| 2024 | \$ 1,143,673 | \$ 4,901,975 | \$ 6,045,648 |
| 2025 | 910,829 | 2,254,685 | 3,165,514 |
| 2026 | 803,731 | 2,225,550 | 3,029,281 |
| 2027 | 698,018 | 1,630,051 | 2,328,069 |
| 2028 | 620,590 | 1,558,791 | 2,179,381 |
| 2029-2033 | 1,853,624 | 10,064,191 | 11,917,815 |
| 2034-2038 | 68,498 | 1,442,073 | 1,510,571 |
| | <u>\$ 6,098,963</u> | <u>\$ 24,077,316</u> | <u>\$ 30,176,279</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 \$1,293,915. Aggregate future lease obligations are as follows:

| | | |
|-----------|----|-------------------|
| 2024 | \$ | 1,145,727 |
| 2025 | | 679,486 |
| 2026 | | 584,288 |
| 2027 | | 491,200 |
| 2028 | | 474,408 |
| 2029-2033 | | 2,465,132 |
| 2034-2038 | | 2,721,705 |
| 2039-2043 | | 3,004,982 |
| 2044-2048 | | 2,844,751 |
| 2049-2050 | | 915,034 |
| | \$ | <u>15,326,713</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 \$8,093,191 as of December 31, 2023, and \$8,782,181 as of December 31, 2022. The right-to-use lease asset was \$7,375,059 as of December 31, 2023, and \$8,242,703 as of December 31, 2022. Interest expense related to leases was \$505,717 for 2023 and \$453,423 for 2022. Lease Amortization expense is calculated based on the straight-line method over the term of each respective leasehold interest. The amounts for December 31, 2023, and 2022 were \$1,513,397, and \$1,138,686, respectively. Future expected lease payments are summarized in the following table:

| | Interest | Principal | Total |
|-----------|---------------------|---------------------|----------------------|
| 2024 | \$ 452,736 | \$ 693,065 | \$ 1,145,802 |
| 2025 | 407,861 | 271,700 | 679,561 |
| 2026 | 395,353 | 188,935 | 584,288 |
| 2027 | 386,883 | 104,317 | 491,200 |
| 2028 | 381,099 | 89,976 | 471,074 |
| 2029-2033 | 1,817,049 | 648,083 | 2,465,132 |
| 2034-2038 | 1,582,588 | 1,139,118 | 2,721,705 |
| 2039-2043 | 1,193,430 | 1,811,553 | 3,004,982 |
| 2044-2048 | 593,395 | 2,465,686 | 3,059,081 |
| 2049 | 23,130 | 680,757 | 703,887 |
| | <u>\$ 7,233,522</u> | <u>\$ 8,093,191</u> | <u>\$ 15,326,713</u> |

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Note 6: Capital Assets

Capital asset activity for the years ended December 31, 2023 and 2022 was as follows:

| | December 31, 2022 | Additions | Reductions | December 31, 2023 |
|---|----------------------|----------------|--------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 49,505,422 | \$ 525,000 | \$ 1,401,000 | \$ 48,629,422 |
| Construction in progress | 142,787,327 | 182,479,487 | | 325,266,814 |
| Total non-depreciable assets | 192,292,749 | 183,004,487 | 1,401,000 | 373,896,236 |
| Capital assets being depreciated/ amortized: | | | | |
| Buildings | 81,722,446 | | | 81,722,446 |
| Right to use lease assets | 9,641,314 | | | 9,641,314 |
| Leasehold improvements | 36,755,658 | 127,857 | | 36,883,515 |
| Total depreciable/amortizable assets | 128,119,418 | 127,857 | | 128,247,275 |
| Less: accumulated depreciation | 105,110,837 | 3,386,997 | | 108,497,834 |
| Less: accumulated amortization | 1,398,608 | 867,644 | | 2,266,252 |
| Total accumulated depreciation and amortization | 106,509,445 | 4,254,641 | | 110,764,086 |
| Capital assets – net | \$ 213,902,722 | \$ 178,877,703 | \$ 1,401,000 | \$ 391,379,425 |

| | December 31, 2021 | Additions | Reductions | December 31, 2022 |
|---|----------------------|----------------|--------------|----------------------|
| 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 | 101,610,435 | 3,500,402 | | 105,110,837 |
| Less: accumulated amortization | 525,406 | 873,202 | | 1,398,608 |
| Total accumulated depreciation and 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 |

In 2023, the Authority continued with construction work related to the New Jersey Wind Port project in Lower Alloways Creek Township, Salem County, which began in 2020. During 2022 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 in 2022. This continued in 2023.

Additionally, during 2022, the Authority listed a property in the Township of North Brunswick for sale and as such the land was removed from capital assets and was classified as a non-current

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asset as land held for sale on the statement of net position. This sale was completed in 2023. Another property in the City of Camden was sold in 2023.

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, 2023, 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, 2023, the Fund had no Debt, and Worth was \$4,362,699.

(b) Loan Program Commitments and Project Financings

At December 31, 2023, the Authority has \$9,536,121 of loan commitments not yet closed or disbursed and \$188,615,540 of project financing commitments.

Note 8: State and Federal Appropriations and Program Payments

The Authority receives appropriations from the State of New Jersey, as part of the State's annual budget, for purposes of administering certain grant programs enacted by State statute, and has also received appropriations from the United States Department of Housing and Urban Development, as well as the Federal Emergency Management Agency, via the State of New Jersey, for purposes of administering certain loan and grant programs for businesses in connection with the aftermath of Superstorm Sandy in October 2012. In each year since 2020, the Authority has received appropriations from the United States Department of the Treasury, as part of the CARES Act of 2020 and the American Rescue Plan Act, via the State of New Jersey,

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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, 2023, state and federal appropriations and program payments were \$703,618,979, \$73,565,458, and \$101,255,024, 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 2023 and 2022 of their pensionable compensation. The PERS also provides death and disability benefits. All benefits and contribution requirements are established, or amended, by State statute.

Benefits Provided

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60, and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62, and tier 5 members upon reaching age 65.

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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 2023 and 2022, 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, 2023, and 2022 was 14.53% and 14.07%, 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, 2023 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2023 for all State administered retirement systems.

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

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

Contractual contributions to the pension plan from the Authority were \$5,221,882 and \$4,055,563 for the years ended December 31, 2023, and 2022, respectively, equal to the required contributions.

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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, 2023 and 2022, the Authority reported a liability of \$56.6 million and \$48.5 million for its proportionate share of the net pension liability for PERS, respectively. The net pension liability was measured as of June 30, 2023, and June 30, 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2022, and July 1, 2021. The actuarial valuations were rolled forward to June 30, 2023, and June 30, 2022 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, 2023, the Authority's proportion was 0.38744%, which was an increase of .06584% from its proportion measured as of December 31, 2022. At December 31, 2022, the Authority's proportion was 0.32160%, which was an increase of 0.03896%.

For the years ended December 31, 2023 and 2022, the Authority recognized pension expense of \$5,179,757 and \$120,822 for PERS, respectively. Pension expense is reported in the Authority's financial statements as part of salaries and benefits expense.

At December 31, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | 2023 | | 2022 | |
|--|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | 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 | \$ 260,610 | | \$ 2,008,789 | |
| Changes of assumptions or other inputs | 124,319 | \$ 3,429,670 | 150,374 | \$ 7,267,500 |
| Changes in proportion | 17,846,438 | 29,504 | 12,299,819 | 249,992 |
| Difference between expected and actual experience | 541,085 | 231,327 | 350,298 | 308,913 |
| Contributions subsequent to the measurement date | 2,610,941 | | 2,027,782 | |
| | <u>\$ 21,383,393</u> | <u>\$ 3,690,501</u> | <u>\$ 16,837,062</u> | <u>\$ 7,826,405</u> |

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Deferred outflows of resources of \$2,610,941 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|------|----|-------------------|
| 2024 | \$ | 3,462,608 |
| 2025 | | 3,866,006 |
| 2026 | | 5,482,159 |
| 2027 | | 2,084,450 |
| 2028 | | 186,728 |
| | \$ | <u>15,081,951</u> |

Actuarial Methods and Assumptions

The collective pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following assumptions:

| <u>June 30, 2023 and 2022</u> | |
|-----------------------------------|---|
| Inflation: | 2.75% (Price) 3.25% (Wage) |
| Salary increases: | 2.75 – 6.55% 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, 2022 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

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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, 2023 and 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| 2023 | | |
|-----------------------------------|--------------------------|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| U.S. Equity | 28.00% | 8.98% |
| Non-U.S. Developed Markets Equity | 12.75% | 9.22% |
| International Small Cap Equity | 1.25% | 9.22% |
| Emerging Markets Equity | 5.50% | 11.13% |
| Private Equity | 13.00% | 12.50% |
| Real Estate | 8.00% | 8.58% |
| Real Assets | 3.00% | 8.40% |
| High Yield | 4.50% | 6.97% |
| Private Credit | 8.00% | 9.20% |
| Investment Grade Credit | 7.00% | 5.19% |
| Cash Equivalents | 2.00% | 3.31% |
| U.S. Treasuries | 4.00% | 3.31% |
| Risk Mitigation Strategies | 3.00% | 6.21% |

| 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% |

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Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2023 and June 30, 2022. 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, 2023 and 2022, respectively:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|-------------|------------------------|--------------------------|------------------------|
| 2023 | \$ 73,669,712 | \$ 56,591,208 | \$ 42,055,143 |
| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
| 2022 | \$ 62,352,303 | \$ 48,534,257 | \$ 36,774,543 |

Plan Fiduciary Net Position

The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2023 and 2022 were \$34,831,652,936 and \$32,568,122,309, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2023 and 2022 was \$27,400,438,440 and \$25,810,084,045, respectively.

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Additional Information

Collective Local Group balances at June 30, 2023 are as follows:

| | | |
|---|----|----------------|
| Collective deferred outflows of resources | \$ | 1,080,204,730 |
| Collective deferred inflows of resources | | 1,780,216,457 |
| Collective net pension liability | | 14,606,489,066 |
| Authority's proportion | | 0.3907052374% |

Collective Local Group pension (benefit) expense for the Local Group for the measurement period ended June 30, 2023 and 2022 was \$(90,322,759) and \$(1,032,778,934) respectively. The average of the expected remaining service lives of all plan members is 5.08, 5.04, 5.13, 5.16, 5.21, and 5.63 years for the 2023, 2022, 2021, 2020, 2019, and 2018 amounts, respectively.

State Contribution Payable Dates

Prior to July 1, 2021 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2021 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, 2023 and June 30, 2022 are \$1,354,892,653 and \$1,288,683,017, 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, 2023 and 2022, the following employees were covered by the benefit terms:

| | 2023 | 2022 |
|---|-------------|-------------|
| Active employees | 409 | 259 |
| Inactive employees and/or beneficiaries | | |
| currently receiving benefit payments | 50 | 45 |
| Total membership | 459 | 304 |

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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, 2023, and 2022, the Authority's average contribution rate was 2.33 percent and 2.25 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, 2023 measurement date was determined by an actuarial valuation as of December 31, 2023. This serves as the reporting date.

Actuarial Assumptions. The total OPEB liability in the December 31, 2023, 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 | 6.8% grading down to an ultimate rate of 3.7% for <65, 6.8% 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 December 31, 2023, valuation was based on information provided by the Authority for the period of January 1, 2023 through December 31, 2023.

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

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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:

| 2023 | | | |
|-----------------------------------|-------------------------------|-------------------|--|
| Asset Class | Index | Target Allocation | Long-Term Expected Real Rate of Return |
| US Cash | BAML 3-Month T-Bills | 0.50% | 0.76% |
| US Interim (1-10) Treasury Bonds | Bloomberg Interim US Treasury | 28.00% | 1.53% |
| US Interim (1-10) Corporate Bonds | Bloomberg Interim Corporate | 33.00% | 2.57% |
| US Interim (1-10) Government | Bloomberg US Govt | 7.00% | 1.86% |
| US Municipal Bonds | Bloomberg Municipal | 2.00% | 1.58% |
| US Small Cap Equity | Russell 3000 | 29.50% | 5.50% |
| | | 100.00% | |
| 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 Interim (1-10) Treasury Bonds | Bloomberg Interim US Treasury | 30.50% | 1.26% |
| US Interim (1-10) Corporate Bonds | Bloomberg Interim Corporate | 31.25% | 2.74% |
| US Interim (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% |
| | | 100.00% | |

Discount Rate. The discount rate used to measure the total OPEB liability was 4.75 percent at December 31, 2023 and at December 31, 2022. 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, 2023:

| | Increase (Decrease) | | |
|---|---------------------------------|--|---------------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB (Asset) Liability |
| Net OPEB (asset) liability at the beginning of the year | \$ 25,170,000 | \$ 41,037,760 | \$ (15,867,760) |
| Changes for the year: | | | |
| Service Cost | 1,910,783 | | 1,910,783 |
| Interest | 1,266,704 | | 1,266,704 |
| Employer contributions | | 836,376 | (836,376) |
| Effect economic/demographic changes | 579,889 | | 579,889 |
| Effect change in assumptions/inputs | 923,000 | | 923,000 |
| Net investment income | | 4,112,524 | (4,112,524) |
| Benefit payments | (836,376) | (836,376) | |
| Administrative expense | | (11,460) | 11,460 |
| Net changes | 3,844,000 | 4,101,064 | (257,064) |
| Net OPEB (asset) liability at the end of the year | \$ 29,014,000 | \$ 45,138,824 | \$ (16,124,824) |

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) |

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Notes to Financial Statements (continued)

December 31, 2023 and 2022

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, 2023 and 2022, 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 2023 and 2022:

| | 1% Decrease (3.75%) | Discount Rate (4.75%) | 1% Increase (5.75%) |
|------|------------------------|--------------------------|------------------------|
| 2023 | \$ (11,198,824) | \$ (16,124,824) | \$ (20,087,824) |
| 2022 | \$ (11,490,760) | \$ (15,867,760) | \$ (19,390,760) |

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, 2023 and 2022, 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 2023 and 2022):

| | 1% Decrease (5.8 decreasing to 2.7%) | Healthcare Cost Trend Rates (6.8 decreasing to 3.7%) | 1% Increase (7.8 decreasing to 4.7%) |
|------|--|---|--|
| 2023 | \$ (20,681,824) | \$ (16,124,824) | \$ (10,227,824) |
| 2022 | \$ (20,087,760) | \$ (15,867,760) | \$ (10,392,760) |

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, 2023 and 2022

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

For the years ended December 31, 2023 and 2022, the Authority recognized OPEB expense (benefit) of \$(1,372,316) and \$(1,602,009), respectively. OPEB expense (benefit) is reported in the Authority's financial statements as part of salaries and benefits expense. At December 31, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2023 | | 2022 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Deferred Outflows | Deferred Inflows | Deferred Outflows | Deferred Inflows |
| Difference in experience | \$ 943,010 | \$ 137,516 | \$ 480,989 | \$ 166,892 |
| Changes of assumptions | 830,700 | 11,980,977 | | 14,402,232 |
| Net difference between projected and actual earnings on OPEB plan investments | 2,358,230 | | 4,986,330 | |
| Totals | <u>\$ 4,131,940</u> | <u>\$ 12,118,493</u> | <u>\$ 5,467,319</u> | <u>\$ 14,569,124</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:

| Year Ended December 31: | |
|------------------------------------|-----------------------|
| 2024 | \$ (1,452,371) |
| 2025 | (1,205,242) |
| 2026 | (1,272,847) |
| 2027 | (2,673,162) |
| 2028 | (1,867,501) |
| Thereafter | 484,570 |
| Total | <u>\$ (7,986,553)</u> |

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Notes to Financial Statements (continued)

December 31, 2023 and 2022

Note 11: Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority recorded noncurrent liabilities in the amount of \$2,117,553 and \$1,888,105 as of December 31, 2023 and 2022, 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 2023 and 2022, the following changes in long-term liabilities are reflected in the statement of net position:

| | 2023 | | | | | |
|-----------------------------|-------------------|------------|-----------|----------------|----------------|---------------------|
| | Beginning Balance | | Additions | Deductions | Ending Balance | Due Within One Year |
| Net pension liability | \$ | 48,534,257 | \$ | 8,056,951 | \$ | 56,591,208 |
| Unearned lease revenue | | 3,850,769 | | \$ (1,130,894) | 2,719,875 | \$ 1,139,104 |
| Accrued guarantee losses | | 3,714,017 | 56,000 | (167,017) | 3,603,000 | |
| Leases payable | | 8,782,181 | | (688,990) | 8,093,191 | 693,066 |
| Compensated absences | | 1,888,105 | 553,846 | (324,398) | 2,117,553 | |
| Total long-term liabilities | \$ | 66,769,329 | \$ | 8,666,797 | \$ (2,311,299) | \$ 73,124,827 |
| | | | | | | \$ 1,832,170 |
| | 2022 | | | | | |
| | Beginning Balance | | 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 | \$ | 43,046,233 | \$ | 22,161,775 | \$ (1,980,294) | \$ 66,769,329 |
| | | | | | | \$ 1,758,495 |

For further information, see Notes 10 and 11.

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Notes to Financial Statements (continued)

December 31, 2023 and 2022

Note 13: Risk Management

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

Note 14: Subsequent Events

In 2024, the Authority received appropriations from the State of New Jersey totaling \$309.3 million from the State FY 2024 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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|-------------------|-------------|-------------|-----------|-------------|-----------|------------|-----------|
| | (\$ In Thousands) | | | | | | | |
| Service cost | \$ 1,911 | \$ 1,223 | \$ 973 | \$ 891 | \$ 1,703 | \$ 1,967 | \$ 1,900 | \$ 1,836 |
| Interest | 1,266 | 1,121 | 1,036 | 972 | 1,765 | 1,606 | 1,492 | 1,387 |
| Change in assumptions | 1,503 | (527) | 209 | - | (19,859) | (3,730) | - | - |
| Benefit payments | (836) | (648) | (543) | (449) | (420) | (588) | (643) | (655) |
| Net change in total OPEB liability | 3,844 | 1,169 | 1,675 | 1,414 | (16,811) | (745) | 2,749 | 2,568 |
| Total OPEB liability - beginning | 25,170 | 24,001 | 22,326 | 20,912 | 37,723 | 38,468 | 35,719 | 35,151 |
| Total OPEB liability - ending | \$ 29,014 | \$ 25,170 | \$ 24,001 | \$ 22,326 | \$ 20,912 | \$ 37,723 | \$ 38,468 | \$ 35,719 |
| Plan fiduciary net position | | | | | | | | |
| Contributions - employer | \$ 836 | \$ 656 | \$ 543 | \$ 449 | \$ 420 | \$ 5,307 | \$ 1,220 | \$ 1,162 |
| Net investment income | 4,112 | (4,933) | 1,657 | 3,092 | 3,325 | 86 | 486 | 382 |
| Benefit payments | (836) | (648) | (543) | (449) | (420) | (588) | (643) | (655) |
| Administrative expenses | (11) | (11) | (12) | (11) | (22) | (21) | (21) | (21) |
| Net change in plan fiduciary net position | 4,101 | (4,936) | 1,645 | 3,081 | 3,303 | 4,784 | 1,042 | 868 |
| Plan fiduciary net position - beginning | 41,038 | 45,974 | 44,329 | 41,248 | 37,945 | 33,161 | 32,119 | 31,251 |
| Plan fiduciary net position - ending (b) | \$ 45,139 | \$ 41,038 | \$ 45,974 | \$ 44,329 | \$ 41,248 | \$ 37,945 | \$ 33,161 | \$ 32,119 |
| Authority's net OPEB (asset) liability - ending (a) - (b) | \$ (16,125) | \$ (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 | 155.58% | 163.04% | 191.55% | 198.55% | 197.25% | 100.59% | 86.20% | 89.92% |
| Covered payroll | \$ 35,928 | \$ 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 | -44.88% | -55.04% | -75.02% | 140.58% | -134.47% | -1.53% | -37.62% | 22.16% |

Notes to Schedule:

Changes of assumptions: In 2020, 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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| (\$ In Thousands) | | | | | | | | | | |
| Actuarial determined contribution | \$ 836 | \$ 648 | \$ 543 | \$ - | \$ 1,849 | \$ 5,307 | \$ 1,220 | \$ 1,162 | \$ 9,014 | \$ 891 |
| Employer contribution | 836 | 648 | 543 | 449 | 420 | 5,307 | 1,220 | 1,162 | 9,014 | 891 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ (449) | \$ 1,429 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's covered payroll | \$ 35,928 | \$ 28,830 | \$ 29,283 | \$ 15,652 | \$ 15,123 | \$ 14,483 | \$ 14,108 | \$ 16,246 | \$ 15,819 | \$ 14,535 |
| Contributions as percentage of covered payroll | 2.33% | 2.25% | 1.85% | 2.87% | 2.78% | 36.64% | 8.65% | 7.15% | 56.98% | 6.13% |

New Jersey Economic Development Authority
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Required Supplementary Information

Employee Benefit Trust
Schedule of Investment Returns

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-------|---------|-------|-------|-------|-------|-------|-------|
| Annual money-weighted rate of return, net of investment expense | 9.52% | -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, 2024 for 2023; 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 2016-2023, Project Unit Credit Cost Method for 2011-2015 |
| Amortization Method | Full recognition of unfunded liability as of December 31 for 2016-2023, Level Dollar Open (1 year) for 2011-2015 |
| Asset Valuation Method | Market value |
| Inflation Rate | 2.3% for 2016-2023, not indicated for 2011-2015 |
| Investment Rate of Return | 4.75% for 2022-2023, 4.5% for 2018-2021, 4.0% for all years prior |

New Jersey Economic Development Authority
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Required Supplementary Information

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Authority's proportion of the net pension liability | 0.39071% | 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 | \$ 56,591,208 | \$ 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 | \$ 35,927,595 | \$ 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 | 157.51% | 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 | 48.45% | 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.

New Jersey Economic Development Authority
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Required Supplementary Information

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

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 5,221,886 | \$ 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 |
| Contributions in relation to the contractually required contribution | 5,221,886 | 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 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's covered payroll | \$ 35,927,595 | \$ 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 |
| Contributions as a percentage of covered payroll | 14.53% | 14.07% | 13.88% | 12.82% | 12.52% | 14.12% | 13.56% | 12.38% | 11.80% | 8.67% |

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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 2023, 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 2019 through 2023, 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. |