

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

**BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2023

(with Independent Auditors' Reports Thereon)

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

Basic Financial Statements and Management's Discussion and Analysis
and Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

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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 accompanying financial statements of the business-type activities and fiduciary funds of the New Jersey Economic Development Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the 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 funds 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's 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.

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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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

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

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Supplementary Information

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Cranford, New Jersey

September 10, 2024, except for our report on
the Schedule of Expenditures of Federal Awards
for which the date is October 4, 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.

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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
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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

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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).

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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
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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
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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
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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.

New Jersey Economic Development Authority
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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

New Jersey Economic Development Authority
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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 laddered, with maturities ranging from several months to a maximum of five years.

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

In order to maximize liquidity, the Authority utilizes the NJCMF as an investment. All investments in the NJCMF are governed by the regulations of the State of New Jersey, Department of Treasury, Division of Investment, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include:

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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/annrprts.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:

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

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Contributions. The Authority's Board grants the Authority the right to establish and amend the contribution requirements. The Board establishes rates based on an actuarially determined rate. For the year ended December 31, 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%
		<u>100.00%</u>	
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%
		<u>100.00%</u>	

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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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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**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>

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

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	<u>\$ 66,769,329</u>	<u>\$ 8,666,797</u>	<u>\$ (2,311,299)</u>	<u>\$ 73,124,827</u>	<u>\$ 1,832,170</u>

	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	<u>\$ 43,046,233</u>	<u>\$ 22,161,775</u>	<u>\$ (1,980,294)</u>	<u>\$ 66,769,329</u>	<u>\$ 1,758,495</u>

For further information, see Notes 10 and 11.

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

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

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

	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
(a component unit of the State of New Jersey)

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

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

	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%

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

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

Notes to Schedule

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

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

Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Dollar Amortization
Remaining Amortization Period	30 years
Asset Valuation Method	A five-year average of market value
Investment Rate of Return	7.00% 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.

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

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title/Award Name	Award Number	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Passed-Through to Subrecipients	Expenditures January 1, 2023 to December 31, 2023	
					Federal Share	Grantee Share
U.S. Department of Commerce - Economic Development Administration Direct Programs						
Economic Development Cluster:						
CARES Act - Economic Adjustment Assistance Grant	01-20-01468	11.307	N/A	\$ -	\$ 10,793,562	\$ 206,436
Total U.S. Department of Commerce				-	10,793,562	206,436
U.S. Department of Housing and Urban Development - Pass Through Program						
New Jersey Department of Community Affairs:						
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:						
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	N/A	14.269	N/A	-	99,288,432	-
Total U.S. Department of Housing and Urban Development				-	99,288,432	-
U.S. Department of the Treasury - Pass Through Program						
Coronavirus State and Local Fiscal Recovery Funds - Passed Through New Jersey Department of the Treasury	N/A	21.027	N/A	-	7,366,452	-
Total U.S. Department of the Treasury				-	7,366,452	-
Total Federal Awards				\$ -	\$ 117,448,446	\$ 206,436

N/A - Not Available

See accompanying notes to schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

1. Basis of Presentation and Grantee Contributions

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the New Jersey Economic Development Authority ("Authority"), a component unit of the State of New Jersey, under programs of the federal government. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and is presented on the accrual basis of accounting. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Grantee Contributions

The Authority, as the grantee, is required to make contributions for certain grants, which provide technical assistance to trade-impacted firms within the State. The Authority had operated the Trade Adjustment Assistance Center (TAAC), on behalf of the State, which provided assistance to manufacturing companies threatened by foreign competition. The program has been discontinued for over ten years. The original grantee share was provided from each company's, which were a part of the TAAC program, share of the cost of technical assistance and from in-kind payroll costs attributable to the administration of the grant. These funds have been revolving through the life of the program.

2. Hurricane Sandy Community Development Block Grant Disaster Recovery Grants

The Authority was awarded \$500 million through the New Jersey Department of Community Affairs ("DCA") for the Hurricane Sandy Disaster Recovery program under the federal Hurricane Sandy Community Development Block Grant Disaster Recovery Grants ("CDBG-DR") program. On May 21, 2013, the Authority executed a subrecipient agreement with DCA in which the Authority is responsible for implementing and administering the Stronger NJ Business Grant Program, the Stronger NJ Business Loan Program, the Stronger NJ Neighborhood and Community Revitalization Program and the Energy Resiliency Bank Program (collectively the "Program"). The Program is intended to lend or grant eligible funds to strengthen New Jersey's economy by retaining and growing businesses and to revitalize communities impacted by Hurricane Sandy. The Energy Resiliency Bank was created to address Statewide energy resilience needs.

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding, net of payments received, at December 31, 2023 is \$78,692,087.

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Total expenditures for the year ended December 31, 2023, for the CDBG-DR program as reported in the accompanying Schedule are made up of the following:

	<u>Expenditures</u>
Loans (beginning balance plus current year expenditures)	\$ 97,403,986
Neighborhood and community revitalization	1,110,653
Administrative and program delivery	<u>773,793</u>
	<u><u>\$ 99,288,432</u></u>

Pursuant to the Agreement with DCA, the Authority may be reimbursed for general administrative costs incurred in conjunction with the program. This amount cannot exceed \$2,375,000 of the CDBG-DR budget of \$500,000,000 over the life of the agreement. Expenditures on the accompanying Schedule include \$0 of general administrative costs incurred by the Authority for the year ended December 31, 2023. Cumulative general and administrative costs to date are \$1,415,325.

In addition, the Authority may be reimbursed for activity delivery costs incurred up to 15% of the total budget, or \$75,000,000, over the life of the agreement. Expenditures on the Schedule include \$773,793 of activity delivery costs incurred during 2023. Total activity delivery costs incurred during 2023 were \$773,793. Cumulative activity delivery costs to date are \$55,165,113.

3. Contingencies

Each of the grantor agencies reserves the right to conduct additional audits of the Authority's grant programs for economy, efficiency, and program results. However, Authority management does not believe such audits would result in material amounts of disallowed costs.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the business-type activities and fiduciary funds of the New Jersey Economic Development Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 10, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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

Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Cranford, New Jersey
September 10, 2024



**Report on Compliance for Each Major Federal Program and Report
on Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the New Jersey Economic Development Authority's (the "Authority"), a component unit of the State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2023. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

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

Page 2

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Page 3

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Cranford, New Jersey
October 4, 2024

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

Schedule of Findings and Questioned Costs

Year ended December 31, 2023

Part I - Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified? Yes X No

Are any significant deficiencies identified? Yes X None Reported

Is any noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified? Yes X No

Are any significant deficiencies identified? Yes X None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Assistance Listing Number(s)	FAIN Number	Name of Federal Program or Cluster
14.269	Not Available	CDBG – Disaster Recovery Grants – Pub L No.113-2 Cluster: Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)
21.027	Not Available	Coronavirus State and Local Fiscal Recovery Funds

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

Schedule of Findings and Questioned Costs

Year ended December 31, 2023

Part I - Summary of Auditors' Results - Continued

Dollar threshold used to distinguish between Type A and
Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes ☒ No

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

Schedule of Findings and Questioned Costs

Year ended December 31, 2023

Part II – Schedule of Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Part III – Schedule of Federal Award Findings and Questioned Costs

No federal award program compliance findings or questioned costs were noted that are required to be reported in accordance with 2 CFR 200 section .516(a)