

Report of Audit
on the
Financial Statements
of the
Elizabeth Development
Company of New Jersey
for the
Years Ending
June 30, 2013 and 2012

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

INDEX

PAGE
NUMBER

Independent Auditor's Report	1-2
------------------------------	-----

EXHIBITS

"A" Statements of Financial Position - June 30, 2013 and June 30, 2012	3
"B" Statement of Activities for the Years Ended June 30, 2013 and June 30, 2012	4
"C" Statements of Cash Flows for the Years Ended June 30, 2013 and June 30, 2012	5

Notes to Financial Statements - June 30, 2013 and 2012	6-19
--	------

SINGLE AUDIT SECTION

Independent Auditor's 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	20-21
--	-------

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal and State Financial Assistance Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	22-23
--	-------

SCHEDULES

"1" Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2013	24
"2" Schedule of Expenditures of State Financial Assistance for the Year Ended June 30, 2013	25

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance - Year Ended June 30, 2013	26
--	----

Schedule of Findings and Questioned Costs for the Year Ended June 30, 2013	27-29
--	-------

Schedule of Prior Audit Findings for the Year Ended June 30, 2013	30
---	----



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@senco.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Elizabeth Development Company of New Jersey
Elizabeth, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Elizabeth Development Company of New Jersey as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the Elizabeth Development Company of New Jersey's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

SUPLEE, CLOONEY & COMPANY

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Elizabeth Development Company of New Jersey as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2013 on our consideration of the Elizabeth Development Company of New Jersey'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 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 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 Elizabeth Development Company of New Jersey's internal control over financial reporting and compliance.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elizabeth Development Company of New Jersey financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules listed above are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the financial statements as a whole.

October 18, 2013



ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
<u>A S S E T S</u>		
Cash and Cash Equivalents	\$ 5,000,828	\$ 4,924,514
Cash and Cash Equivalents Held By Trustee	1,059,327	1,092,209
Cash and Cash Equivalents Held By City of Elizabeth	3,259,164	2,731,554
Federal and State Assistance Receivable	367,414	752,418
Loans Receivable (net of allowance for doubtful accounts of \$1,000,000 in 2013 and \$1,000,000 in 2012)	6,932,428	7,402,450
Other Receivables	55,066	110,591
Prepaid Expenses	20,828	19,709
Parking Garage (net of accumulated depreciation of \$3,976,606 for 2013 and \$3,697,854 for 2012)	3,818,848	4,097,600
United Counties (net of accumulated depreciation of \$554,625 for 2013 and \$469,014 for 2012)	1,780,999	1,866,609
Equipment (net of accumulated depreciation of \$237,830 for 2013 and \$237,462 for 2012)	368	736
Investment in First Street Urban Renewal, LLC	1,153,648	1,153,648
Investment in 244-246 North Broad Street	15,500	
Bond Issuance Costs (net of accumulated depreciation of \$46,3011 for 2013 and \$38,584 for 2012)	108,035	115,752
Other Assets	16,743	26,789
<u>TOTAL ASSETS</u>	<u>\$ 23,589,196</u>	<u>\$ 24,294,579</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 124,745	\$ 285,453
Interest Payable	53,020	56,092
Loan Payable	750,405	796,614
Security Deposits	28,789	44,756
Due to City of Elizabeth	428,942	489,710
Funds Held in Trust	1,150,000	1,150,000
Bonds Payable	5,890,000	6,185,000
Deferred Revenue	604,717	981,105
Other Liabilities	69,985	
<u>Total Liabilities</u>	<u>9,100,603</u>	<u>9,988,730</u>
Net Assets:		
Unrestricted	5,482,966	5,269,480
Temporarily Restricted	9,005,627	9,036,369
<u>Total Net Assets</u>	<u>14,488,593</u>	<u>14,305,849</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 23,589,196</u>	<u>\$ 24,294,579</u>

The accompanying Notes are an integral part of these financial statements.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

STATEMENT OF ACTIVITIES FOR THE
YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	YEAR ENDED JUNE 30,			YEAR ENDED JUNE 30,		
	2013			2012		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Changes in Net Assets:						
Revenues:						
Federal Programs	\$ 494,289		\$ 494,289	\$ 1,237,918		\$ 1,237,918
State Programs	211,779		211,779	418,808		418,808
City of Elizabeth UEZ Revenues	138,412	\$ 360,000	498,412	204,937	\$ 46,600	251,537
Program Income	750,000		750,000	1,058,542		1,058,542
Midtown Garage - Parking Fees & Income	1,027,867		1,027,867	1,031,273		1,031,273
United Counties Building - Rent & Income	234,974		234,974	242,494		242,494
CDE	279,251		279,251	243,665		243,665
Fundraising	57,022		57,022			
Other Income	511,171		511,171	468,719		468,719
Released from Restrictions	390,742	(390,742)		149,353	(149,353)	
Total Revenues and Gains	4,095,507	(30,742)	4,064,765	5,055,709	(102,753)	4,952,956
Expenses:						
Federal Programs	509,859		509,859	1,326,830		1,326,830
State Programs	740,806		740,806	621,963		621,963
Program Expenses	567,392		567,392	1,117,142		1,117,142
City of Elizabeth Programs				30,837		30,837
Midtown Garage - Operating	767,924		767,924	804,143		804,143
United Counties Building - Rent Expenses	71,006		71,006	50,550		50,550
CDE	272,958		272,958	87,637		87,637
Management and General	540,004		540,004	453,162		453,162
Fundraising	39,625		39,625			
Provision for Bad Debt				477,397		477,397
Depreciation and Amortization	372,447		372,447	341,921		341,921
Total Expenses	3,882,021		3,882,021	5,311,582		5,311,582
Increase (Decrease) in Net Assets	213,486	(30,742)	182,744	(255,873)	(102,753)	(358,626)
Net Assets, beginning of the period	5,269,480		14,305,849	5,525,353	9,139,122	14,664,475
Net Assets, end of the period	\$ 5,482,966	\$ 9,005,627	\$ 14,488,593	\$ 5,269,480	\$ 9,036,369	\$ 14,305,849

The accompanying Notes are an integral part of these financial statements.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
<u>OPERATING ACTIVITIES</u>		
Increase in Net Assets	\$ 182,744	\$ (358,626)
Add Expenses Not Requiring Use of Cash		
Depreciation and Amortization	372,447	341,921
Add (Deduct) Changes in Non-Cash Working Capital		
Federal and State Assistance Receivable	385,004	(450,409)
Other Receivables	55,525	92,110
Prepaid Expenses	(1,119)	4,386
Other Assets	10,046	17,278
Accounts Payable and Accrued Liabilities	(160,708)	159,565
Interest Payable	(3,072)	(2,375)
Security Deposits	(15,967)	(10,171)
Deferred Revenue	(376,388)	(38,608)
Other Liabilities	54,485	(70,619)
Net Cash Provided (Used) By Operating Activities	<u>502,997</u>	<u>(315,548)</u>
<u>INVESTING ACTIVITIES</u>		
Loans Collected	860,764	931,589
Loans Issued	(390,742)	(149,353)
Purchase of Fixed Assets		(6,799)
Net Cash Provided (Used) By Investing Activities	<u>470,022</u>	<u>775,437</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds (Payments) to City of Elizabeth	(60,768)	123,789
Payments on Bonds	(341,209)	(328,794)
Net Cash Provided (Used) By Financing Activities	<u>(401,977)</u>	<u>(205,005)</u>
Increase (Decrease) in Cash and Cash Equivalents	571,042	254,884
Cash and Cash Equivalents, beginning of the period	<u>8,748,277</u>	<u>8,493,393</u>
Cash and Cash Equivalents, end of the period	<u>\$ 9,319,319</u>	<u>\$ 8,748,277</u>
Supplemental Disclosure - Interest Paid	\$ 261,869	\$ 274,944

The accompanying Notes are an integral part of these financial statements.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NATURE OF ACTIVITIES

Description of Business and Grant Programs

The Elizabeth Development Company (EDC/the Company) was incorporated as a non-profit organization in the State of New Jersey on February 28, 1977 to administer financial assistance programs for small businesses, landowners and developers in the City of Elizabeth, New Jersey (the City).

EDC acquires property for redevelopment with the City and issues commercial loans to stimulate economic development. Additionally, the Company works with the Retail Skills Center to assist in identifying job opportunities, training, and placement of economically disadvantaged or unemployed individuals facing barriers to employment within Union County. In addition, it serves as the coordinating agency for the State's Urban Enterprise Zone Program (UEZ), the Elizabethport and Midtown Neighborhood Revitalization Tax Credit (NRTC) Programs in the City of Elizabeth.

Federal

Community Development Block Grants: A portion of the funds awarded to the City by HUD under a Community Development Block Grant Program (CDBG) are allocated to EDC for economic development purposes. EDC uses those funds to acquire property for redevelopment as well as to assist in moving development projects forward and administering the Micro Enterprise Loan Program. Re-payments of existing loans are returned to the City for future CDBG activities. Loans are granted over time periods ranging up to 6 years and are collateralized by mortgage liens on the related properties, machinery, and equipment. Interest rates are fixed at 2.0%.

City of Elizabeth

UEZ Statewide Loan Pool Programs: The purpose of this fund is to provide financial assistance, on a competitive basis, to projects located within the UEZ of the City of Elizabeth, which meet certain economic and employment criteria.

Loans made by the UEZ Statewide Loan Pool are available generally to finance up to 50% of eligible project costs or \$750,000 whichever is less.

UEZ Commercial Loan Programs: The purpose of the commercial loan program is to provide low interest, fixed rate financial assistance to Elizabeth businesses that meet certain program and employment criteria.

Loans made under the UEZ Commercial Loan Programs are available generally to finance up to ninety percent of eligible project cost or \$75,000, whichever is less.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NATURE OF ACTIVITIES (CONTINUED)

UEZ Micro-Enterprise Loan/Grant Programs: The purpose of the UEZ Micro-Enterprise Loan Program is to provide a combination of low interest, fixed rate loan and grant assistance to businesses located in, or relocating, to the City of Elizabeth's Urban Enterprise Zone. Eligible businesses must meet the program objectives.

Loans/Grants under the UEZ Micro-Enterprise Program are available generally to finance up to ninety percent of eligible project cost or \$20,000, whichever is less. The structure is 70% loan and 30% grant, loans will be at a fixed rate of 2%.

UEZ Working Capital Loan Programs: The purpose of the UEZ Working Capital Loan Program is to provide low interest, short term financial assistance to Elizabeth businesses that are unable to obtain working capital assistance from other sources. Businesses must meet general program criteria and eligibility.

Loans under the UEZ Working Capital Programs are available generally to finance working capital needs to a maximum amount of \$20,000. The interest rate is fixed at one percentage point above the current Federal Discount Rate with a floor of 3%.

State

Urban Enterprise Zone: During the fiscal year ended June 1994, the City of Elizabeth designated the Company as the Zone Development Corporation and contracted with it for the management and administration of the Urban Enterprise Program (UEZ). This program is funded by the State's Urban Enterprise Zone Assistance Fund to assist qualified municipalities in which urban enterprise zones are designated in undertaking public improvements and upgrading eligible municipal services.

In addition, funding is provided for public relations activities which will stimulate economic activity within the zone and for a marketing outreach program to:

- 1) Inform all businesses of the benefits of the UEZ and assist them in taking advantage of them.
- 2) Assist existing businesses in the zone with expansion plans.
- 3) Attract businesses to relocate to the zone.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company prepares its financial statements on the accrual basis.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally the donors of these assets permit the Corporation to use all or part of the income earned on related investments for general or specific purposes.

Income Taxes

The Company qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Company has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the Code.

The most significant tax position of the Company is its assertion that it is exempt from income taxes. Other significant tax positions include its determination of whether any amounts are subject to unrelated business tax (UBIT). Management has determined that the Company had no activities subject to UBIT in the years ended June 30, 2013 or 2012. All significant tax positions have been considered by management and it has determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Company is required to file Form 990 (Return of Organization Exempt from Income Tax) which is subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of the tax return. The Forms 990 for 2010 through 2012 are open to examination by the IRS as of June 30, 2013.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all monies in banks and highly liquid investments with maturity dates of less than three months to be cash equivalents.

Cash and cash equivalents held by trustee include funds relating to the Midtown Elizabeth Transit Garage Redevelopment Project at June 30, 2013 (Note 7).

Investments

Investments in marketable securities and debt securities in the statement of financial position are valued at their fair values based on quoted market prices or prices which are provided by investment managers that are obtained from independent sources they believe to be reliable. Realized and unrealized gains and losses are included in the statement of activities.

Other Receivables

The Company considers all other receivables to be fully collectible: no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activity as net assets released from restrictions.

Fixed Assets

Fixed Assets are recorded at cost or estimated fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CDBG Loan Programs

The Company provides below-market-interest-rate loans with CDBG funds to private businesses within the City to retain and create job opportunities and help eliminate blighted areas. Loans may also be utilized for renovations and the purchase of capital assets. Loan re-payments are due to the City on a quarterly basis. The maximum loan amount is \$20,000 (70% loan 30% forgivable grant) and the borrower has up to six (6) years to repay the loan. Interest rates are set by the Company's loan committee and are currently 2.0%. Generally, the loans are collateralized by the borrower's real property, equipment, machinery and personal guarantees.

Land, Parking Garage and Equipment

Purchased land, parking garage and equipment are carried at cost. Donated assets are recorded using its estimated value on the date of acquisition. The Company provides for depreciation on the parking garage and equipment using the straight-line method over its estimated useful lives of twenty-eight years and three to five years, respectively.

Maintenance and repairs are expensed as incurred. Depreciation on assets acquired with grants-in-aid is recorded as a reduction of restricted net assets.

(2) FUNDS HELD IN TRUST

During 1997, NJ Transit entered into a ground lease with the City of Elizabeth for the property upon which the Midtown Elizabeth Transit Garage was constructed. The property was simultaneously subleased to EDC for 30 years with rental payments of \$1 a year required annually.

Funds held in trust represent \$1,150,000 received from NJ Transit to support the construction of the Midtown Elizabeth Transit Garage Redevelopment Project. These funds will be repaid to NJ Transit from net revenues realized from the operation of the Midtown Elizabeth Transit Garage during the lease term.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(3) LEASE OBLIGATIONS

On May 21, 2012, the Company moved and entered into a ten year sub-lease with Bond Street Commercial Court Urban Renewal, Inc., a related Organization, for new office space. Rental expense was \$45,189 and \$46,257 for fiscal years 2013 and 2012, respectively.

Future minimum annual requirements are:

2014	\$45,108
2015	\$45,108
2016	\$45,108
2017	\$45,108
2018	\$45,108

(4) FINANCIAL DEPENDENCY

The Company receives approximately ninety-nine percent (99%) of its operating support from governmental grants and contracts. The Company is economically dependent on these grants to carry on its operations.

(5) PENSION PLAN

The Company offers personnel the option of participating in a tax-deferred savings plan under Section 403(b) of the Internal Revenue Code. Discretionary payments at a rate of 50% and 75%, respectively, were made to the plan by the Company. On July 1, 2011, the Company has discontinued these discretionary payments.

The cost of this plan for the years ended June 30, 2013 and 2012 was \$-0- and \$-0-, respectively.

(6) FLEXIBLE SPENDING ACCOUNT PLAN

The Company offers personnel the option of participating in a flexible spending account plan. Discretionary payments at a rate of \$1,440 for family and parent/child or \$960 for single may be made to the plan by the Company.

The cost of this plan for the years ended June 30, 2013 and 2012 was \$9,603 and \$-0-, respectively.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(7) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents at June 30 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$5,000,828	\$4,924,514
Cash and Cash Equivalents Held By Trustee	1,059,327	1,092,209
Cash and Cash Equivalents Held By City of Elizabeth	<u>3,259,164</u>	<u>2,731,554</u>
	<u>\$9,319,319</u>	<u>\$8,748,277</u>

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits, currently \$250,000. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on its cash accounts.

(8) BONDS PAYABLE

In 1997, the New Jersey Economic Development Authority Parking Revenue Bonds (Elizabeth Development Company-1997 Project) were issued in the amount of \$7,425,000. The proceeds from these bonds were used by the Company to provide funds for the EDC's Midtown Elizabeth Transit Garage Redevelopment Project. In 2007 the company issued \$7,195,000 of Revenue refunding Bonds to refund and defease all of the Company's outstanding 1997 bonds. Under the terms of the Loan and Security Agreement, EDC is required to make debt service payments so as to provide for the timely payment of the principal and interest on the NJEDA'S \$7,425,000 Parking Revenue Bonds. The note obligation is secured by parking revenues generated from the Project. To the extent revenues of the Project are insufficient to pay debt service; the Company has executed a deficiency agreement with the City of Elizabeth whereby the City has agreed to make payments to the extent of such deficiency.

At June 30, 2013, the carrying value of the note payable approximates fair market value.

Principal requirements on the note payable due (October 15) are as follows:

2014	\$ 310,000
2015	325,000
2016	340,000
2017	360,000
2018	380,000
2019-2026	<u>4,175,000</u>
	<u>\$5,890,000</u>

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(8) BONDS PAYABLE (CONTINUED)

The Company is required, under the Loan and Security Agreement, to furnish by November 1 annually to the trustee, the City of Elizabeth and Financial Guaranty Insurance Company, a complete annual budget that includes the calculation of a Debt Service Coverage Ratio and that such ratio be 1.05 or higher. The Company was in compliance during the fiscal year.

According to the Trust Indenture dated 2/1/07, the Operating and Maintenance Requirement is "an amount equal to the average amount of two (2) months' expenditures for the operating and maintenance of the Project during the prior twenty four (24th) month period" and the requirement must be reviewed on semi-annually on May 1 and November 1 of each year. The amounts on deposit at June 30, 2013 and 2012 were \$75,954 and \$75,954, an excess of \$15,000 and \$13,037, respectively.

(9) LOAN PAYABLE

In order to fund the United Counties Trust Bank Building, the Company obtained the following financing:

The Company has received \$549,111 of funds from a mortgage loan through First BankAmericano. In 2009 Crown Bank took over First BankAmericano. The loan is for a twenty (20) year term and carries an interest rate of 6.00% annually. The monthly payment remains the same throughout the term of the loan. The monthly payment amount which includes principal and interest is \$3,961.84. The outstanding balance at June 30, 2013 and 2012 is \$403,850 and \$426,192, respectively.

The Company has received \$500,000 of funds from a mortgage loan through New Jersey Economic Development Authority. The loan is for a twenty (20) year term and the interest is reset every five (5) years. In 2010 the interest reset and the loan now carries an interest rate of 4.00% annually. The monthly payment remains the same throughout the term of the loan. The monthly payment amount which includes principal and interest is \$3,057.41. The outstanding balance is \$345,911 and \$368,841 at June 30, 2013 and 2012.

Line of Credit

The Company has a \$100,000 line of credit with Sovereign Bank. Interest on advances is accrued at the rate of 5.50%, payable on a monthly basis. The Line of Credit matured and was due on May 28, 2009. A modification to the agreement was signed to extend the terms of the original agreement for five years.

At June 30, 2013 and 2012, the Company's outstanding balance was \$644 and \$1,581, respectively.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(9) LOAN PAYABLE (CONTINUED)

Principal requirements on the loan payable due monthly are as follows:

	<u>Total</u>	<u>Crown Bank</u>	<u>New Jersey Economic Development Authority</u>	<u>Sovereign Bank</u>
2014	\$ 47,248	\$ 23,608	\$ 22,996	\$644
2015	348,000	25,085	322,915	
2016	26,597	26,597		
2017	28,318	28,318		
2018	30,089	30,089		
2019-2025	<u>270,153</u>	<u>270,153</u>	<u> </u>	<u> </u>
	<u>\$750,405</u>	<u>\$403,850</u>	<u>\$345,911</u>	<u>\$644</u>

(10) FIXED ASSETS

Fixed assets are stated at cost at date of acquisition. Depreciation is based on estimated useful life of the acquired asset, applied on a straight line basis. At June 30, such assets were:

	<u>2013</u>	<u>2012</u>
Midtown Garage	\$ 7,795,454	\$ 7,795,454
United Counties Building	2,335,624	2,335,624
Investment in First Street Urban Renewal, LLC	1,153,648	1,153,648
Investment in 244-246 North Broad Street	15,500	
Equipment	<u>238,199</u>	<u>238,199</u>
	11,538,425	11,522,925
Less: Accumulated Depreciation	<u>(4,769,062)</u>	<u>(4,404,331)</u>
	<u>\$ 6,769,363</u>	<u>\$ 7,118,594</u>

(11) INVESTMENT IN FIRST STREET URBAN RENEWAL, LLC

The Company has acquired for redevelopment purposes property at 205 and 213-215 First Street in the city. At June 30, 2013 and 2012 the Company has invested \$1,153,648 and \$1,153,648, respectively, on this Mixed Use project.

(12) INVESTMENT IN 244-246 NORTH BROAD STREET

The Company has acquired for redevelopment purposes property at 244-246 North Broad Street. The property is secured by a mortgage to the City of Elizabeth in the amount of \$15,500.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(13) MIDTOWN ELIZABETH TRANSIT GARAGE

In 1999, the Midtown Elizabeth Transit Garage was put into operation. Depreciation expense is being recorded over 28 years, the remaining life of the bonds used to finance this project. Depreciation expense was \$278,752 and \$278,752 for fiscal years 2013 and 2012, respectively.

(14) CONTINGENT LIABILITIES - GRANTS

The Company participates in federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes.

The federal and state grants received and expended were subject to the Single Audit Act Amendments and State of New Jersey OMB Circular 04-04, which mandates that grant revenues and expenditures be audited in conjunction with the Corporation's annual audit.

Findings and questioned costs, if any, relative to state financial assistance programs will be discussed in detail in the Schedule of Findings and Questioned Costs. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives.

(15) CONCENTRATION OF RISK

The Company has outstanding loans and notes receivable in the amount of \$5,824,424 with ten businesses at June 30, 2013 and \$4,956,096 with seven businesses at June 30, 2012. The balances represent approximately 73% and 59%, respectively, of the Company's net loan and note receivables.

(16) TEMPORARILY RESTRICTED NET ASSETS

The Company receives funds from the State of New Jersey passed through the City of Elizabeth for the purpose of issuing UEZ loans. As these funds are paid back to the Company, they are restricted for the purposes of replenishing the UEZ loan program. The temporarily restricted balance therefore consists of cash on hand and loan receivables related to the program.

The temporarily restricted net assets at June 30, 2013 and 2012 are \$8,659,840 and \$9,036,369, respectively.

In 2012-2013, the company committed \$390,742 and in 2011-2012, the company committed \$149,353 of these funds for various projects.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(17) CO-DEVELOPMENT AGREEMENT

The Company has entered into a co-developer agreement with the Supermarket Commercial Corporation, which resulted in the creation of the BFLF Land Corporation for the development of parcels at 60–90 Broadway.

The City of Elizabeth has designated the BFLF Land Corporation (consisting of Supermarket Commercial Corp. 55% and Elizabeth Development Company 45%) as the developers for the Eport Waterfront Revitalization - Supermarket project.

The proposed project will include the construction of sixty-five (65) residential units with retail units consisting of approximately 41,000 square feet. It is anticipated that the commercial spaces will be occupied by a supermarket and other mixed use retail facilities.

EDC filed a Brownfield Redevelopment loan application on behalf of BFLF Land Corp. for \$2 million dollars with the NJRA. The application was approved; funds were remitted to the BFLF Land Corp. with the loan being secured by Supermarket Commercial Corporation (SCC) corporate guarantees.

At June 30, 2013, BFLF Land Corporation was de-designated by the City of Elizabeth as the developers for the site. The Company has dissolved their co-developer agreement with Supermarket Commercial Corporation (SCC) due their inability to obtain adequate financing for the proposed project. The Company filed legal action against two of the principals of SCC based on a loan they received from the Company under CDBG program as the principals had provided personal guarantees.

(18) RELATED PARTY TRANSACTIONS

UEZ Administration Contract

The Company has entered into an agreement with the City of Elizabeth whereby the Company receives an annual fee for administering the City's Urban Enterprise Zone program.

UEZ 2nd Generation Revenue

The Company has entered into an agreement with the City of Elizabeth whereby revenue received from UEZ loans and loan programs may be retained by the Company for the purpose of replenishing the loan pool and other eligible programs.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(18) RELATED PARTY TRANSACTIONS (CONTINUED)

New Markets Tax Credit Program

In 2006 and 2007, the Elizabeth Development Company was awarded two New Markets Tax Credit allocations in the amount of \$10 million and \$25 million, respectively. The Company has formed Elizabeth Development CDE-1, LLC, CDE-2, LLC, CDE-3, LLC and CDE-4, LLC as Sub-CDE's for the purpose of allocating credits to different Qualified Active Low Income Community Businesses (QALICBs) as required by the allocation agreements in order to administer the New Markets Tax Credit (NMTC) program.

CDE- 1, LLC

The CDE-1 entered into an operating agreement with a Qualified Equity Investment (QEI) partner, TC Elizabeth, LLC. TC Elizabeth, LLC owns 99.99% membership interest and the Elizabeth Development CDE-1, LLC membership interest is 0.01%.

In February 2008, the CDE-1 structured and closed on a loan allocating \$10 million of their NMTC allocation for a QALICB in Elizabeth. The financial structure was for the construction and expansion of a state of the art warehouse facility in a qualified low income community (LIC) in the City of Elizabeth.

The CDE-1 received a sponsor fee of \$300,000 to be used to help absorb operating expenses to administer the NMTC program over a period of seven years as required by the program and/or support other economic development activities as guided by the EDC's mission statement. Deferred revenue at June 30, 2013 and 2012 is \$71,318 and \$114,175, respectively.

The CDE-1 will receive from the QALICB an annual reporting and management fee of \$12,500 to be used to offset the annual audit, accounting, reporting, administrative and managing fees associated to the transaction. The investor member (TC Elizabeth, LLC) receives an annual reporting fee of \$5,000 in consideration of its services provided.

CDE-2, LLC

The CDE-2 entered into an operating agreement with a Qualified Equity Investment (QEI) partner, US Bancorp Community Development Corporation. US Bancorp Community Development Corporation owns 99.99% membership interest and the Elizabeth Development CDE-2, LLC membership interest is 0.01%.

In November 2009, the CDE-2 structured and closed on a loan allocating \$12.5 million of their remainder NMTC allocation received in 2007 for a QALICB in Elizabeth. The financial structure was for the construction of a new parking deck with commercial space facility in a qualified low income community (LIC) in the City of Elizabeth.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(18) RELATED PARTY TRANSACTIONS (CONTINUED)

New Markets Tax Credit Program (Continued)

CDE-2, LLC (Continued)

The CDE-2 received a sponsor fee of \$625,000 to be used to help absorb operating expenses to administer the NMTC program over a period of seven years as required by the program and/or support other economic development activities as guided by the EDC's mission statement. Deferred revenue as June 30, 2013 and 2012 is \$312,465 and \$401,740, respectively.

The CDE-2 will receive from the QALICB an annual reporting and management fee of \$30,000 to be used to offset the annual audit, accounting, reporting, administrative and managing fees associated with the transaction for the CDE-2 and investor member.

CDE-3, LLC

In December 2007, the Company was awarded \$25 million new markets tax credits allocation. The first \$12.5 million was allocated to a Qualified Active Low Income Community Business (QALICB) by the CDE-2, LLC.

In February 2011, the CDE-3 structured and closed on a loan allocating \$4.5 million of their remainder NMTC allocation received in 2007 for a QALICB in Elizabeth. The financial structure was for the installation of solar panels in a qualified low income community (LIC) in the City of Elizabeth.

The CDE-3 received a sponsor fee of \$225,000 to be used to help absorb operating expenses to administer the NMTC program over a period of seven years as required by the program and/or support other economic development activities as guided by the EDC's mission statement. Deferred revenue as June 30, 2013 and 2012 is \$152,678 and \$184,821, respectively.

The CDE-3 will receive from the QALICB an annual asset management fee of \$30,000 to be used to offset the annual audit, accounting, reporting, administrative and managing fees associated with the transaction for the CDE-3 and investor member.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(18) RELATED PARTY TRANSACTIONS (CONTINUED)

New Markets Tax Credit Program (Continued)

CDE-4, LLC

In December 2007, the Company was awarded \$25 million new markets tax credits allocation. The first \$12.5 million was allocated to a Qualified Active Low Income Community Business (QALICB) by the CDE-2, LLC. An additional \$4.5 million was allocated to a Qualified Active Low Income Community Business (QALICB) by the CDE-3, LLC.

CDE-4, LLC was formed to deploy a portion or the remainder of the \$8.0 million from the 2007 NMTC allocation agreement. CDE-4, LLC closed on a QEI (Qualify Equity Investment) on December 28, 2012. By closing on the QEI the Company preserved the credits for an additional 12 months or until 12/28/2013. The Company is currently working on potential QALICB's in order to fund the \$8.0 million of credits which will close out the allocation.

Bond Street Commercial Court Urban Renewal, Inc.

On May 21, 2012, the Company moved and entered into a ten year sub-lease with Bond Street Commercial Court Urban Renewal, Inc. for new office space.

(19) SUBSEQUENT EVENTS

The Elizabeth Development Company of New Jersey has evaluated subsequent events occurring after the financial statement date through October 18, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, the Elizabeth Development Company of New Jersey has determined that no subsequent events have occurred which require disclosure in the financial statements.

(20) LITIGATION, CLAIMS, AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Company may be a party to litigation. At June 30, 2013, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened, which would have a material adverse effect on the financial position of the Company.

THIS PAGE INTENTIONALLY LEFT BLANK

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

**INDEPENDENT AUDITOR'S 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**

The Board of Directors
Elizabeth Development Company of New Jersey
Elizabeth, New Jersey

We have audited the financial statements of Elizabeth Development Company of New Jersey as of and for the year ended June 30, 2013, and have issued our report thereon dated October 18, 2013. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elizabeth Development Company of New Jersey's internal control over financial reporting as a basis for designing our audit procedures 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 Elizabeth Development Company of New Jersey's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elizabeth Development Company of New Jersey's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was limited for the purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elizabeth Development Company of New Jersey's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

This report is intended for the information of Elizabeth Development Company of New Jersey and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

October 18, 2013

A handwritten signature in cursive script that reads "Suplee, Clooney & Company". The signature is written in black ink and is positioned to the right of the date.



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL
AND STATE FINANCIAL ASSISTANCE PROGRAMS AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A -133 AND NEW JERSEY OMB CIRCULAR 04-04**

The Board of Directors
Elizabeth Development Company of New Jersey
Elizabeth, New Jersey

Compliance

We have audited the compliance of Elizabeth Development Company of New Jersey with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that are applicable to each of its major federal and state programs for the year ended June 30, 2013. Major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Elizabeth Development Company of New Jersey's management. Our responsibility is to express an opinion on Elizabeth Development Company of New Jersey's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133 "Audits of State Local Governments and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about Elizabeth Development Company of New Jersey's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Elizabeth Development Company of New Jersey's compliance with those requirements.

In our opinion, the Elizabeth Development Company of New Jersey complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2013.

Internal Control Over Compliance

The management of the Elizabeth Development Company of New Jersey is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Elizabeth Development Company of New Jersey's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Elizabeth Development Company of New Jersey's 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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management of the Elizabeth Development Company of New Jersey and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

October 18, 2013

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEYSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL C.F.D.A. NUMBER	GRANT AWARD AMOUNT	GRANT PERIOD		FISCAL YEAR	
			FROM	TO	RECEIPTS	EXPENDITURES
United States Department of Housing and Urban Development: Pass-Through City of Elizabeth:						
	14.218	\$ 15,000	07/01/12	06/30/13	\$ 3,250	\$ 3,250
	14.218	\$ 484,515	07/01/12	06/30/13	143,734	269,532
	14.218	\$ 600,000	07/01/11	06/30/12	203,543	
	14.218	\$ 1,262,340	06/09/11	05/31/12	174,635	237,077
					<u>\$ 525,162</u>	<u>\$ 509,859</u>

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2013

(1) GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state financial assistance programs of Elizabeth Development Company of New Jersey. The Company is defined in the Notes to the Company's basic financial statements. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

(2) BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the accrual basis of accounting.

(3) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Company's basic financial statements.

(4) RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

(5) OTHER

Matching contributions expended by the Company in accordance with terms of the various grants are not reported in the accompanying schedules.

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| (1) Type of Auditor's Report Issued: | Unmodified |
| (2) Internal Control Over Financial Reporting: | |
| (a) Material weakness identified? | No |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | N/A |
| (3) Noncompliance material to the basic financial statements noted? | No |

Federal Program(s)

- | | |
|--|---------------|
| (1) Internal Control Over Major Federal Program(s): | |
| (a) Material weaknesses identified? | None Reported |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | N/A |
| (2) Type of Auditor's Report issued on compliance for major federal program(s)? | Unmodified |
| (3) Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133? | None Reported |
| (4) Identification of Major Federal Programs: | |

<u>Grant Program</u>	<u>CFDA</u>
Community Development Block Grants	14.218

- | | |
|---|-----|
| (5) Program Threshold Determination:
Type A Federal Program Threshold > \$300,000.00
Type B Federal Program Threshold <= \$300,000.00 | |
| (6) Auditee qualified as a low-risk auditee under OMB Circular A-133? | Yes |

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results (Continued)

State Program(s)

(1) Internal Control Over Major State Programs:

(a) Material weakness identified? None Reported

(b) Significant deficiencies identified that are not considered to be material weaknesses? N/A

(2) Type of Auditor's Report issued on compliance for major state program(s)? Unmodified

(3) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? None Reported

(4) Identification of Major State Program(s):

<u>Program</u>	<u>Identification Number</u>
Urban Enterprise Zone	UEZA 13 - 07 ADM
Urban Enterprise Zone	13- SGF
Neighborhood Revitalization Tax Credit Project	2012-100-022-8020-168-FNRT-6130
Neighborhood Revitalization Tax Credit Project	2013-100-022-8020-168-FNRT-6130

(5) Program Threshold Determination:

Type A State Program Threshold > \$300,000.00
Type B State Program Threshold <= \$300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

**Section II - Financial Statement Audit - Reported Findings Under
Government Auditing Standards**

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III - Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs - None Reported

State Programs - None Reported

ELIZABETH DEVELOPMENT COMPANY OF NEW JERSEY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Programs - None Reported

State Programs - None Reported

