

**NEW JERSEY HOUSING AND
MORTGAGE FINANCE AGENCY
Trenton, New Jersey**

**FINANCIAL STATEMENTS
December 31, 2013
(With Comparative Information
for December 31, 2012)**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Jersey Housing and Mortgage Finance Agency
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the New Jersey Housing and Mortgage Finance Agency (the Agency), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency'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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and each major fund of the Agency as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 2 to the financial statements, the Agency implemented Governmental Accounting Standards Board Statement No. 65. This resulted in a restatement of the prior year ending net position to reflect the expense of certain items previously reported as assets or liabilities. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 10 and the Schedule of Funding Progress on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The Schedules of Net Position and Revenues, Expenses, and Changes in Fund Net Position for the Single Family and Multi-Family Housing Programs (the Schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedules are 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 May 28, 2014 on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The script is cursive and fluid, with the letters connected in a continuous line.

CliftonLarsonAllen LLP

Baltimore, Maryland
May 28, 2014

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Introduction to the Financial Report

This financial report consists of five parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information and Supplementary Information. The New Jersey Housing and Mortgage Finance Agency (NJHMFA or Agency), as referred to throughout the Management's Discussion and Analysis, is for financial reporting purposes, the primary government.

The Financial Statements include

The Statement of Net Position which provides information about the nature and amounts of investments in resources (assets) and the obligations to Agency creditors (liabilities).

The Statement of Revenues, Expenses and Changes in Net Position which accounts for all of the current year's revenue and expenses, measures the success of the Agency's operations over the past year and can be used to determine how the Agency has funded its costs.

The Statement of Cash Flows which provides information about the Agency's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Notes to the Financial Statements provide

Information that is essential to understanding the basic financial statements, such as the Agency's accounting methods and policies.

Details of contractual obligations, future commitments and contingencies of the Agency.

Information about any other events or developing situations that could materially affect the Agency's financial position.

Required Supplementary Information

Presents the information regarding the Agency's progress in funding its obligation to provide postemployment benefits other than pensions to its employees.

Supplementary Information

Provides presentations of the Agency's financial information in accordance with the requirements of the various Bond Resolutions.

Management's Discussion and Analysis

This section of the Agency's financial statements, the Management's Discussion and Analysis (MD&A), presents an overview of the Agency's financial performance for the years ended December 31, 2013 and 2012. It provides an assessment of how the Agency's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Agency's overall financial position.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

The Agency's Business

The Agency was created to provide a strong unified advocate for housing production, financing and improvement. The Agency is established under, but is not a part of, the Department of Community Affairs, and is constituted as a body politic and corporate and an instrumentality of the State exercising public and essential governmental functions. Included in the Agency's powers is the ability, *inter alia*, to provide to housing sponsors, through eligible loans or otherwise, financing, refinancing or financial assistance for fully completed, as well as partially completed projects; to issue negotiable bonds and to secure the payment thereof; and to make and enter into and enforce all contracts and agreements necessary, convenient or desirable to the performance of its duties and the execution of its powers.

NJHMFA has two subsidiaries that are discretely presented as component units in the financial statements. The Statewide Acquisition and Redevelopment Corporation (STAR) was formed to act as a housing service Agency under the Shore Easy Program, the AFL-CIO Demonstration Program and/or any other project or program as authorized by the Agency. A Better Camden Corporation (ABC) was formed to stimulate and encourage the construction, rehabilitation and improvement of adequate and affordable housing in the City of Camden. Financial statements for ABC and STAR may be obtained by contacting NJHMFA.

Overall Financial Highlights – Year Ended December 31, 2013

The Agency implemented GASB 65 on January 1, 2013. The changes related to recognizing unamortized bond issuance costs resulted in a \$44.5 million decrease to ending net position as of December 31, 2012. Per GASB 65, debt issuance costs are recognized as an expense in the period in which they are incurred rather than deferred costs which are amortized over the life of the bonds.

In December of 2013, Agency staff completed a successful work-out of the Waterford Towers financing. The project was originally financed in 1997 with tax-exempt and taxable bonds of approximately \$50.0 million and \$5.0 million, respectively. The project was unable to achieve stabilization, resulting in operating cash flows that were substantially less than originally projected. In 2013, Agency staff negotiated a "cooperative default," allowing the borrower to redeem all of the Agency's outstanding debt with the proceeds from third-party financing. As a result, the Agency received \$63.0 million in cash, and agreed to accept an additional \$7.0 million pursuant to a fully-guaranteed installment note. This transaction represents a major development, as the Agency's single largest troubled loan was successfully restructured, generating a positive internal rate of return (IRR).

On December 31, 2012, the Agency acquired title to Paragon Village via a deed in lieu of foreclosure, and simultaneously appointed a reputable management company to assume control of Paragon's day to day operations. Management, under the direction of the Agency, restored Paragon to profitability in the 2nd quarter of 2013, reversing a trend of operating losses and delinquencies dating back to the project's inception. The Agency solicited offers to purchase Paragon from qualified owner-operators in the 4th quarter of 2013 pursuant to a Request for Offer to Purchase (RFOTP).

The Agency's overall net position remained flat as recoveries on Multi-family mortgages offset increased allowances on single family mortgages.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Single Family loan production remained steady as 685 loans were funded in 2013 compared to 693 in 2012. Despite the flat single family loan production, the overall mortgage loans outstanding decreased by approximately \$1.0 million while the investments and bonds decreased in proportion.

The Agency's Conduit Bond Financing Program gained further market acceptance in 2013 with the issuance of \$161.4 million of conduit bonds, funding the construction, rehabilitation and/or preservation of 1,131 multi-family units.

Under the Superstorm Sandy Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan, the Agency received an initial allocation of \$229.5 million in CDBG-DR funds as sub recipient to implement three state affordable housing programs designed to support the needs of renters and prospective homeowners in nine counties throughout the State which were hardest hit in Superstorm Sandy. The Fund for Restoration of Multifamily Housing (FRM) was allocated \$179.0 million, the Sandy Special Needs Housing Fund (SSNHF) \$25.0 million, and the Sandy Homebuyer Assistance Program (SHAP) was allocated \$25.0 million. All of the program funds have been committed or are in the pipeline. As of December 31, 2013, 42 SHAP loans closed for a total of \$1.9 million.

In 2013, the Agency received \$113.0 million in U.S. Department of Treasury Hardest Hit Funds and closed 3,167 loans under this program. These are recorded as program income and program expense in the Agency's General Fund.

In March 2013, the Agency issued \$384.7 million in Multi-Family Housing Revenue Bonds 2013 Series 1-7 (MF 1995) to economically refund over 85% of the Resolution's debt. The transaction is estimated to produce approximately \$27.0 million in net present value (PV) debt service savings. In conjunction with the issuance of these bonds, the Agency allowed the Direct Pay Letter of Credit (DPLOC) provided by the credit-impaired Dexia to expire, and substituted it with a DPLOC provided by Citibank, N.A. This will result in meaningful liquidity fee and bond trading spread savings for fiscal year 2014 and beyond.

In March 2013, Standard & Poor's Rating Services (S&P) raised its rating to AA- (stable outlook) from A+ on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) resolution.

In July 2013, Standard & Poor's Rating Services (S&P) affirmed its A+ (stable outlook) rating on the Agency's Multi-Family Revenue Bonds (MF 2004) resolution.

In December 2013, Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) issuer credit rating (ICR) on the Agency.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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Overall Financial Highlights – Year Ended December 31, 2012

In 2012 the Agency took Deeds in Lieu of Foreclosure for two multifamily developments with mortgages held under the Multi Family Housing Revenue Bond Resolution and the General Fund. These were recorded as Real Estate Owned (REO) with an offset to the provision for loan loss. As a result, the multifamily housing component recorded a net recovery of \$19.4 million in the provision for loan loss. At December 31, 2012 Whitlock Mills had an appraised value of \$44.6 million with \$37.9 million recorded in the Multi-Family Housing Revenue Bond resolution and \$6.7 million recorded in the General Fund. Paragon Village was valued at \$14.8 million with \$9.5 million recorded in the Multi-Family Housing Revenue Bond resolution and \$5.3 million recorded in the General Fund.

The Agency had an overall increase in net assets of about 1%. This modest increase is due to the recoveries of prior loan losses recorded on the Whitlock Mills and Paragon Village developments.

The single family mortgage component recorded a recovery of prior loan reserves of \$5.3 million in the provision for loan losses. This is a result of the beginning of the stabilization of the single family housing market, the commencement of processing of foreclosures through the NJ court system, and less aggressive reserves recorded for 2012.

Single Family loan production decreased 21% as 693 loans were funded in 2012 compared to 888 in 2011. Despite the decrease in single family loan production, the overall mortgage loans outstanding were only modestly lower in 2012 versus 2011 levels, with a 2.4% decrease in mortgage receivable, as new production nearly offset runoff.

The Agency gained market acceptance of its Conduit Bond Financing Program in 2012 with the issuance of \$65.7 million of conduit bonds, funding the construction, rehabilitation and/or preservation of 675 multi-family units.

In 2012, the Agency received \$77.5 million in U.S. Department of Treasury Hardest Hit Funds and closed 2,005 loans under this program. These were recorded as program income and program expense in the Agency's General Fund.

In February 2012, Moody's confirmed its Aa2 rating on the Single Family Housing Revenue Bonds resolution, and upgraded the Outlook from "Rating Under Review" for possible downgrade to "Negative."

In March 2012, Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) rating on the Agency's Single Family Housing Revenue Bonds (HRB) resolution.

In June 2012, the Agency issued \$93.2 million of Multi-Family Revenue Bonds to finance 15 rental housing developments containing a total of 1,080 multifamily units.

In August 2012, the Agency novated (i.e. transferred) one (1) interest rate swap totaling \$38.6 million (which is used to synthetically fix the Agency's cost of funds on the SF 2005 Series P, Q, R variable rate bonds) from UBS AG to The Bank of New York Mellon, at no economic cost to the Agency. This improved the Agency's counterparty credit profile on the transaction from A2/A (Moody's/S&P) to Aa1/AA-.

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In September 2012, Standard & Poor's Rating Services (S&P) affirmed its AA (stable outlook) issuer credit rating (ICR) on the Agency.

In October 2012, Standard & Poor's Rating Services (S&P) affirmed its A+ (stable outlook) rating on the Agency's Multi-Family Housing Revenue Bonds (MF 1995) resolution.

In October 2012, the Agency amended two (2) Multi-Family interest rate swaps totaling \$102.3 million with Bank of America to substitute the guarantor to the higher-rated Merrill Lynch Derivative Products (MLDP) entity, at no economic cost to the Agency. This improved the Agency's counterparty credit profile on the transaction from A3/A (Moody's/S&P) to Aa3/AAA.

In October 2012, the Agency amended three (3) Multi-Family interest rate swaps totaling \$64.3 million with Merrill Lynch Capital Services, Inc. to substitute the guarantor to the higher-rated Merrill Lynch Derivative Products (MLDP) entity, at no economic cost to the Agency. This improved the Agency's counterparty credit profile on the transaction from a Baa2/A- (Moody's/S&P) to Aa3/AAA.

The Agency has liquidity facilities in place with multiple providers in order to provide liquidity support for the payment of its variable rate bonds in the event that they cannot be remarketed. As of January 1, 2012, the Agency had total variable rate bonds outstanding in the amount of \$347.6 million (excluding bond maturities scheduled to occur in 2012) whose related liquidity facilities were scheduled to expire in 2012. The Agency successfully resolved its entire 2012 liquidity expiration exposure of \$347.6 million by taking the following actions:

- March 2012 - Replaced \$100.2 million SF liquidity facility with new provider (Barclays Bank PLC).
- May 2012 - Replaced \$24.6 million SF liquidity facility with new provider (TD Bank, N.A.).
- November 2012 - Replaced \$36.4 million MF liquidity facility with new provider (Bank of New York Mellon) and replaced a \$25.9 million MF liquidity facility set to expire in March 2013 with a new provider (Bank of New York Mellon).
- Throughout 2012 - Extended \$186.5 million MF liquidity facility with current provider (Dexia).

Overview of the Financial Statements

The Agency is a self-supporting entity and follows enterprise fund reporting. An enterprise fund reports activity that is financed with debt that is secured solely by a pledge of the net revenue from that activity as well as activity that is not supported by taxes or similar revenues. NJHMFA's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting matches revenues and expenses to the time period in which they are earned or attributable, respectively, which may differ from the period in which the associated cash is received or expended.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Enterprise fund statements offer short-term and long-term financial information about the Agency's activities. While detailed sub-fund information is not presented in the Agency's financial statements, separate accounts are maintained for each bond issue and component unit, as well as the Agency's general operating fund, known as the General Fund. These sub-funds permit NJHMFA to control and manage money for particular purposes and to determine that the Agency is properly using specific resources.

Financial Analysis

The following sections will discuss the Agency's financial results for 2013 compared to 2012. Additionally, an examination of major economic factors that have contributed to the Agency's operations is provided. It should be noted that for purposes of this MD&A, summaries of the financial statements and the various exhibits presented are in conformity with the Agency's financial statements, which are presented in accordance with accounting principles generally accepted in the United States. All dollar amounts are in thousands.

NJHMFA's Condensed Statement of Net Position

The Statement of Net Position in the financial statements presents the Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of December 31, 2013. The following table represents the comparison of net position as of December 31, 2013 and 2012. The change between December 31, 2013 and December 31, 2012 should be read in conjunction with the financial statements.

Condensed Statement of Net Position
(In Thousands)

	2013	As Restated 2012	% Change 2013/2012
Current and other assets	\$ 933,175	\$ 963,463	-3.1%
Other noncurrent assets	3,018,113	3,234,141	-6.7%
Capital assets	9,650	10,041	-3.9%
Total assets	<u>3,960,938</u>	<u>4,207,645</u>	-5.9%
Deferred outflows	<u>90,462</u>	<u>144,275</u>	-37.3%
Current liabilities	376,889	375,084	0.5%
Long-term liabilities	<u>2,806,999</u>	<u>2,970,265</u>	-5.5%
Total liabilities	<u>3,183,888</u>	<u>3,345,349</u>	-4.8%
Deferred Inflows	<u>9,006</u>	<u>144,275</u>	-93.8%
Net position:			
Net investment in capital assets	9,650	10,041	-3.9%
Restricted	356,199	348,653	2.2%
Unrestricted	<u>492,657</u>	<u>503,602</u>	-2.2%
Total net position	<u>\$ 858,506</u>	<u>\$ 862,296</u>	-0.4%

The Agency's overall 0.4% decrease in net assets, although relatively flat, is primarily due to recoveries on multi-family loans offset by increases in single family reserves as foreclosures are processing through the court system.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

NJHMFA's Condensed Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position reports revenues recognized and expenses incurred for the years ended December 31, 2013 and 2012. The table below summarizes the Agency's revenues and expenses for the years ended December 31, 2013 and 2012. It should be read in conjunction with the financial statements.

Condensed Statements of Revenues, Expenses and Changes in Net Position
for the Years Ended December 31, 2013 and 2012
(In Thousands)

	2013	As Restated 2012	% Change 2013/2012
Operating revenues:			
Interest income on mortgage loans	\$ 122,742	\$ 148,582	-17.4%
Fees and charges	34,674	33,363	3.9%
Program income	111,183	33,887	228.1%
Grant income	8,815	28,410	-69.0%
Recovery of bad debt	72,138	47,385	52.2%
Other	10,776	2,258	377.2%
	360,328	293,885	22.6%
Operating expenses	372,228	343,034	8.5%
Operating loss	(11,900)	(49,149)	-75.8%
Non-operating revenues, net	7,723	13,299	-41.9%
Transfers	387	-	100.0%
(Decrease) increase in net position	(3,790)	(35,850)	-89.4%
Total net position- beginning of year, as restated	862,296	898,146	-4.0%
Total net position - end of year, as restated	\$ 858,506	\$ 862,296	-0.4%

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Summary of Operating Expenses for the Years Ended
December 31, 2013 and 2012
(In Thousands)

	<u>2013</u>	<u>As Restated 2012</u>	<u>% Change 2013/2012</u>
Operating expenses:			
Interest	\$ 115,634	\$ 152,940	-24.4%
Insurance costs	807	1,009	-20.0%
Servicing fees and other	9,360	28,105	-66.7%
Salaries and related benefits	33,446	28,223	18.5%
Professional services and financing costs	9,082	5,299	71.4%
General and administrative expenses	11,581	9,848	17.6%
Grant expense	16,323	45,127	-63.8%
Program expense	101,012	26,210	285.4%
Gain/loss on derivative	(118)	-	-100.0%
Provision for loan losses	75,101	46,273	62.3%
Total operating expenses, as restated	<u><u>\$ 372,228</u></u>	<u><u>\$ 343,034</u></u>	8.5%

The 75.8% decrease in operating loss is primarily due to the recovery of prior loan losses by taking deeds in lieu of foreclosure for two multifamily projects which had been fully written off in prior years.

Debt Administration

At December 31, 2013, the Agency had \$2.3 billion of bond principal outstanding, net of deferral on refunding, discount and premium, a decrease of 8.7% over the prior year. The following table summarizes the Agency's bonds payable outstanding at December 31, 2013 and 2012, and the changes in bonds payable. Dollars are in thousands.

	<u>2013</u>	<u>As Restated 2012</u>	<u>% Change 2013/2012</u>
Bonds payable, net	<u><u>\$ 2,338,536</u></u>	<u><u>\$ 2,561,050</u></u>	-8.7%

Additional information about the Agency's debt is presented in Note 9 of the financial statements.

Single Family Programs

The Agency provides a variety of residential mortgage financing programs that primarily serve low to moderate and middle-income first time homebuyers and homebuyers purchasing in certain designated urban areas. Traditionally, the programs are funded with Mortgage Revenue Bond proceeds. No Single Family bonds were issued in 2013.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Multi-Family Programs

In March 2013 the Agency issued \$384.7 million in Multi Family Housing Revenue Bonds Series 2013 Series 1-7 to economically refund about 85% of the resolution's debt for an estimated \$26.0 million in net present value debt service savings. No new money bonds were issued in 2013.

Contacting The Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's business, financial position, and fiscal accountability for the funds it generates and receives. If you have questions about any information in this report, contact the Finance Division of the New Jersey Housing and Mortgage Finance Agency.

BASIC FINANCIAL STATEMENTS

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION
December 31, 2013
(With Comparative Summarized Financial Information as of December 31, 2012)
(In Thousands)

	Primary Government								Discretely Presented	
	Bonds and Obligation Funds				Business-Type Activities					
	Single-Family	Multi-Family	General Fund	Subtotal					Interfund Eliminations	Component Units
	Mortgage Component	Housing Component			STAR Corporation	ABC Corporation				
						2013	As Restated 2012			
CURRENT ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ 52,428	\$ 52,428	\$ -	\$ 52,428	\$ 32,671	\$ -	\$ 75	
Restricted cash and cash equivalents	73,988	164,584	448,109	686,681	-	686,681	777,428	-	-	
Investments	-	-	15,089	15,089	-	15,089	31,357	-	-	
Restricted investments	-	54,037	-	54,037	-	54,037	-	-	-	
Accrued interest receivable on investments	367	908	1,631	2,906	-	2,906	3,354	-	-	
Mortgage loans receivable, net	31,513	58,122	3,349	92,984	-	92,984	111,169	-	-	
Supplemental mortgages and other loans, net	-	-	958	958	-	958	1,684	-	-	
Fees and other charges receivable	-	-	1,201	1,201	-	1,201	972	-	-	
Due from loan services and insurers	2,723	-	84	2,807	-	2,807	3,438	-	-	
Interfund allocation	-	-	4,845	4,845	(4,845)	-	-	-	-	
Other assets	22,334	57	1,693	24,084	-	24,084	1,390	-	-	
Total current assets	130,925	277,708	529,387	938,020	(4,845)	933,175	963,463	-	75	
NONCURRENT ASSETS										
Investments	-	-	262,800	262,800	-	262,800	261,182	-	-	
Restricted investments	38,073	83,358	18,394	139,825	-	139,825	211,827	-	-	
Mortgage loans receivable, net	1,199,555	882,872	170,517	2,252,944	-	2,252,944	2,359,716	-	152	
Debt service arrears receivable, net	16,453	1,808	158	18,419	-	18,419	18,873	-	-	
Interest receivable on construction advances and mortgages	-	-	1,675	1,675	-	1,675	1,675	-	-	
Supplemental mortgages and other loans, net	12,765	46,690	210,973	270,428	-	270,428	301,088	-	-	
Real estate owned	4,660	47,385	12,272	64,317	-	64,317	79,604	-	-	
Real estate held for redevelopment	-	-	-	-	-	-	-	-	113	
Capital assets, net	-	-	9,650	9,650	-	9,650	10,041	-	-	
Derivative instrument	-	7,553	-	7,553	-	7,553	-	-	-	
Due from component units	-	123	29	152	-	152	176	-	-	
Total non-current assets	1,271,506	1,069,789	686,468	3,027,763	-	3,027,763	3,244,182	-	265	
TOTAL ASSETS	1,402,431	1,347,497	1,215,855	3,965,783	(4,845)	3,960,938	4,207,645	-	340	
DEFERRED OUTFLOWS OF RESOURCES										
Accumulated decrease in fair value of hedging derivatives	\$ 28,606	\$ 61,856	\$ -	\$ 90,462	\$ -	\$ 90,462	\$ 144,275	\$ -	\$ -	

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF NET POSITION (CONTINUED)
December 31, 2013
(With Comparative Summarized Financial Information as of December 31, 2012)
(In Thousands)

	Primary Government						Discretely Presented		
	Bonds and Obligation Funds		General Fund	Subtotal	Interfund Eliminations	Business-Type Activities		Component Units	
	Single-Family	Multi-Family				2013	As Restated 2012	STAR Corporation	ABC Corporation
	Mortgage Component	Housing Component							
CURRENT LIABILITIES									
Bonds and obligations, net	\$ 34,165	\$ 60,370	\$ -	\$ 94,535	\$ -	\$ 94,535	\$ 100,585	\$ -	\$ -
Accrued interest payable on bonds and obligations	12,601	6,810	-	19,411	-	19,411	23,988	-	-
Subsidy payments received in advance	-	-	4,590	4,590	-	4,590	3,158	-	-
Advances from State of NJ for bond and housing assistance	-	-	19,777	19,777	-	19,777	20,513	-	-
Other current liabilities	4,411	79	5,245	9,735	-	9,735	8,923	-	68
Interfund allocation	1,734	3,111	-	4,845	(4,845)	-	-	-	-
Mortgagor escrow deposits	-	2,775	226,066	228,841	-	228,841	217,917	-	-
Total current liabilities	52,911	73,145	255,678	381,734	(4,845)	376,889	375,084	-	68
NONCURRENT LIABILITIES									
Bonds and obligations, net	1,247,562	996,439	-	2,244,001	-	2,244,001	2,460,465	-	-
Minimum escrow requirement	-	7,858	918	8,776	-	8,776	9,801	-	-
Funds held in trust for mortgagors	-	40,350	284,965	325,315	-	325,315	365,210	-	3
Other non-current liabilities	-	1,290	6,222	7,512	-	7,512	21,017	-	-
OPEB liability	-	-	59,215	59,215	-	59,215	51,730	-	-
Derivative instrument	28,606	62,800	-	91,406	-	91,406	-	-	-
Unearned revenue	-	-	70,774	70,774	-	70,774	63,812	-	-
Due to primary government	-	-	-	-	-	-	(1,770)	-	152
Total noncurrent liabilities	1,276,168	1,108,737	422,094	2,806,999	-	2,806,999	2,970,265	-	155
Total liabilities	1,329,079	1,181,882	677,772	3,188,733	(4,845)	3,183,888	3,345,349	-	223
DEFERRED INFLOWS OF RESOURCES									
Commitment fees	1,127	-	-	1,127	-	1,127	-	-	-
Accrued increase in fair value of hedging derivatives	-	7,879	-	7,879	-	7,879	144,275	-	-
Total deferred inflows	1,127	7,879	-	9,006	-	9,006	144,275	-	-
NET POSITION (DEFICIT)									
Net investment in capital assets	-	-	9,650	9,650	-	9,650	10,041	-	-
Restricted under bond and obligation resolutions	100,831	219,592	-	320,423	-	320,423	304,069	-	-
Restricted for Special Needs Housing	-	-	35,776	35,776	-	35,776	44,584	-	-
Restricted for Redevelopment	-	-	-	-	-	-	-	-	295
Unrestricted	-	-	492,657	492,657	-	492,657	503,602	-	(178)
TOTAL NET POSITION (DEFICIT)	\$ 100,831	\$ 219,592	\$ 538,083	\$ 858,506	\$ -	\$ 858,506	\$ 862,296	\$ -	\$ 117

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

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2013
(With Comparative Summarized Financial Information for the Year Ended December 31, 2012)
(In Thousands)

	Primary Government					Discretely Presented	
	Bonds and Obligation Funds			Business-Type Activities		Component Units	
	Single-Family	Multi-Family	General Fund			STAR Corporation	ABC Corporation
	Mortgage Component	Housing Component		2013	As Restated 2012		
OPERATING REVENUES							
Interest income on mortgage loans	\$ 65,674	\$ 50,024	\$ 7,044	\$ 122,742	\$ 148,582	\$ -	\$ -
Fees and charges	-	8,202	26,472	34,674	33,363	-	-
Program income	-	-	111,183	111,183	33,887	-	-
Grant income	-	-	8,815	8,815	28,392	-	-
Recovery of bad debt	-	72,138	-	72,138	47,385	-	-
Other income - net	118	1,710	8,948	10,776	2,276	1,770	-
Total operating revenues	65,792	132,074	162,462	360,328	293,885	1,770	-
OPERATING EXPENSES							
Interest and amortization of bond premium and discounts	58,407	56,831	396	115,634	152,940	-	-
Insurance costs	-	303	504	807	1,009	-	-
Servicing fees and other	4,190	270	4,900	9,360	28,105	-	-
Salaries and related benefits	2,164	3,596	27,686	33,446	28,223	-	-
Professional services and financing costs	2,848	3,004	3,230	9,082	5,299	-	-
General and administrative expenses	1,055	1,681	8,845	11,581	9,848	-	-
Grant expense	-	-	16,323	16,323	45,127	-	-
Program expense	-	-	101,012	101,012	26,210	-	-
Gain/Loss on derivative	-	(118)	-	(118)	-	-	-
Provision for loan losses	34,513	17,081	23,507	75,101	46,273	119	-
Total operating expenses	103,177	82,648	186,403	372,228	343,034	119	-
Operating income (loss)	(37,385)	49,426	(23,941)	(11,900)	(49,149)	1,651	-
NONOPERATING REVENUES (EXPENSES)							
Investment income	1,902	6,447	871	9,220	15,425	-	-
Loss on sale of real estate owned	(1,275)	-	(222)	(1,497)	(1,563)	-	-
Loss on early extinguishment of old debt	-	-	-	-	(563)	-	-
Total nonoperating revenues, net	627	6,447	649	7,723	13,299	-	-
Income (loss) before transfers	(36,758)	55,873	(23,292)	(4,177)	(35,850)	1,651	-
TRANSFERS	(2,670)	(97)	3,154	387	-	(209)	(178)
INCREASE (DECREASE) IN NET POSITION	(39,428)	55,776	(20,138)	(3,790)	(35,850)	1,442	(178)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	140,259	163,816	558,221	862,296	898,146	(1,442)	295
NET POSITION, END OF YEAR, AS RESTATED	\$ 100,831	\$ 219,592	\$ 538,083	\$ 858,506	\$ 862,296	\$ -	\$ 117

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013
(With Comparative Summarized Financial Information for the Year Ended December 31, 2012)
(In Thousands)

	Primary Government							
	Bonds and Obligation Funds					Discretely Presented		
	Single-Family	Multi-Family		Business-Type Activities		Component Units		
	Mortgage	Housing	General		As Restated	STAR	ABC	
	Component	Component	Fund	2013	2012	Corporation	Corporation	
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from interest on mortgages and loans	\$ 65,674	\$ 50,024	\$ 7,044	\$ 122,742	\$ 142,769	\$ -	\$ 24	
Receipts from fees, charges and other	751	9,913	162,149	172,813	40,819	-	-	
Receipts from principal payments on mortgage receivables	199,102	72,287	123,767	395,156	379,827	-	-	
Payments to vendors and employees	(2,164)	(3,596)	(20,201)	(25,961)	(64,502)	-	-	
Payments to mortgage purchases and advances	(143,573)	(5,304)	(87,016)	(235,893)	(374,829)	-	-	
Payments for interest and amortization of bond premium and discounts	(60,841)	(59,218)	(396)	(120,455)	(131,256)	-	-	
(Payments) receipts for other	(49,599)	48,734	(166,825)	(167,690)	(5,522)	(470)	(24)	
Receipts (payments) for funds held in trust	-	(1,111)	(28,885)	(29,996)	44,181	-	-	
Net cash provided by (used in) operating activities	9,350	111,729	(10,363)	110,716	31,487	(470)	-	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Receipts from proceeds of sale of bonds and obligations	-	-	-	-	80,770	-	-	
Receipts from proceeds from refunding of bonds	-	384,700	-	384,700	-	-	-	
Payments for retirement of bonds	(164,840)	(442,130)	-	(606,970)	(231,195)	-	-	
Contributions	-	-	-	-	-	-	-	
Transfers and others	(2,670)	(97)	3,154	387	(2,892)	(209)	(178)	
Net cash provided by (used in) noncapital financing activities	(167,510)	(57,527)	3,154	(221,883)	(153,317)	(209)	(178)	
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES								
Reductions in capital assets	-	-	-	-	-	120	-	
Additions to capital assets	-	-	(609)	(609)	(476)	-	-	
Net cash provided by (used in) capital financing activities	-	-	(609)	(609)	(476)	120	-	
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of investments	(81,224)	(113,550)	(8,733)	(203,507)	(248,580)	-	-	
Sales/maturities of investments	102,558	125,121	8,443	236,122	245,919	-	-	
Gain/Loss on real estate owned	(1,275)	-	(222)	(1,497)	-	-	-	
Earnings on investments	2,120	6,526	1,022	9,668	19,158	-	-	
Net cash provided by investing activities	22,179	18,097	510	40,786	16,497	-	-	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(135,981)	72,299	(7,308)	(70,990)	(105,809)	(559)	(178)	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	209,969	92,285	507,845	810,099	916,439	559	253	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 73,988	\$ 164,584	\$ 500,537	\$ 739,109	\$ 810,911	\$ -	\$ 75	

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013
(With Comparative Summarized Financial Information for the Year Ended December 31, 2012)
(In Thousands)

	Primary Government						Discretely Presented	
	Bonds and Obligation Funds		General Fund	Business-Type Activities		Component Units		
	Single-Family	Multi-Family						
	Mortgage Component	Housing Component		2013	As Restated 2012	STAR Corporation	ABC Corporation	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Operating income (loss)	\$ (37,385)	\$ 49,426	\$ (23,941)	\$ (11,900)	\$ (4,638)	\$ 1,651	\$ -	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	-	-	1,000	1,000	1,011	-	-	
Provision for loan losses	34,513	17,081	23,507	75,101	-	-	-	
Amortization of premium and discounts	(242)	(2)	-	(244)	1,013	-	-	
Effects of changes in operating assets and liabilities:								
Mortgage loans receivable, net	21,016	49,902	12,548	83,466	(7,122)	-	24	
Fees and other charges receivable	-	-	(229)	(229)	717	-	-	
Due from loan servicers and insurers	633	-	(2)	631	(1,713)	-	-	
Deferred charges - bond issuance costs, net	-	-	-	-	2,742	-	-	
Deferred outflow of resources	-	-	-	-	1,160	-	-	
Other assets	(8,039)	84	548	(7,407)	234	-	-	
Due to/from other funds	(299)	(1,435)	1,758	24	64	(1,770)	(24)	
Accrued interest payable on bonds	(2,192)	(2,385)	-	(4,577)	(1,816)	-	-	
Advance from the State of New Jersey	-	-	(736)	(736)	(315)	-	-	
Funds held in trust for mortgagor	-	1,124	(41,019)	(39,895)	3,431	-	-	
Minimum escrow requirement	-	(916)	(109)	(1,025)	(2,742)	-	-	
Mortgagor escrow deposits	-	(1,319)	12,243	10,924	(129)	-	-	
Subsidy payments received in advance	-	-	1,432	1,432	(2,039)	-	-	
Unearned revenue	-	-	6,962	6,962	16	-	-	
OPEB liability	-	-	7,485	7,485	35,384	-	-	
Interest rate swap	1,127	1,270	-	2,397	3,704	-	-	
Other liabilities	218	(1,101)	(11,810)	(12,693)	2,525	(351)	-	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 9,350	\$ 111,729	\$ (10,363)	\$ 110,716	\$ 31,487	\$ (470)	\$ -	

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Agency

Authorizing Legislation and Organization – The New Jersey Housing and Mortgage Finance Agency (the Agency), which is established in, but not part of, the Department of Community Affairs, is a body, corporate and politic, created by the New Jersey Housing and Mortgage Finance Agency Law of 1983, constituting Chapter 530, Laws of New Jersey, 1983 (the Act), which combined the New Jersey Housing Finance Agency and the New Jersey Mortgage Finance Agency into a single agency.

The initial legislation and subsequent amendment grant the Agency the power to issue debt to finance the construction and rehabilitation of housing projects for families of low and moderate income by providing mortgage loans to qualified housing sponsors or to increase the funds available for residential mortgage and rehabilitation or improvement loans. In addition, the Agency is authorized to make loans to boarding home operators for life safety improvements.

The Agency is governed by nine members: the Commissioner of the Department of Community Affairs who serves as Chair, the State Treasurer, the Attorney General, the Commissioner of Banking and Insurance, and the Commissioner of the Department of Human Services who are members of the New Jersey Housing and Mortgage Finance Agency ex officio, and four persons appointed by the Governor with the advice and consent of the State Senate for terms of three years.

Certain bonds and other obligations issued under the provisions of the Act are general obligations of the Agency to which its full faith and credit are pledged. Certain mortgages issued from the proceeds of Multi-Family Housing Revenue Bonds are insured by the Federal Housing Administration. The Agency has no taxing power; however, certain bonds issued are separately secured, special and limited obligations of the Agency. See Note 9 to the financial statements for a more detailed discussion of the Agency's bonds, notes and obligations.

Federal Subsidy Programs – Many of the Agency-financed Multi-Family Housing projects (the projects) have entered into subsidy contracts with the U.S. Department of Housing and Urban Development (HUD) under Section 236 of the National Housing Act, as amended, or under Section 8 of the United States Housing Act of 1937, as amended (Section 8). The subsidies, paid to the Agency for the account of the respective projects, have been pledged, under the terms of the bond resolutions, for the security of the bondholders.

The Section 8 program provides for payment of housing assistance payments to or for the account of the owners of projects assisted under such program. The housing assistance payments represent the difference between the total contract rents (an average of 141% of fair market rents as determined by HUD) for such developments and the eligible tenants' rental payments, which are up to 30% of each such tenant's adjusted income. The housing assistance payments, as adjusted from time to time by HUD to reflect changing economic conditions and subject to the limitations of the Section 8 program, together with the tenants' rental payments, are used to pay all operating costs of the project and debt service on the project's mortgage.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of the Agency (continued)

The Section 8 Housing Assistance Payments (HAP) received by the Projects amounted to approximately \$446,217 and \$442,411 for the years ended December 31, 2013 and 2012, respectively.

The Section 236 program provides for interest reductions on mortgages of projects assisted under the program. HUD subsidizes the difference between the actual amortization schedule on the mortgages and an amortization schedule based upon a 1% interest rate. Several Section 236 projects also receive additional rental assistance for eligible tenants. The payments represent the difference between contract rent (as defined above) and the tenants' eligible rental payments.

The Section 236 Interest Reduction Payments (IRP) received by the Agency amounted to approximately \$17,187 and \$18,025 for the years ended December 31, 2013 and 2012, respectively.

Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. These criteria include manifestation of oversight responsibility including financial accountability, imposition of will, financial benefit to or burden on a primary organization, and financial accountability as a result of fiscal dependency.

The Agency is a component unit of the State of New Jersey. The Agency's financial statements are discretely presented as part of the State's financial statements.

The Agency determined based on the criteria above that the two component units described below should be presented as discrete component units in the financial statements of the Agency.

STAR

On April 29, 1996, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the Statewide Acquisition and Redevelopment Corporation (STAR). The Board of Trustees and the officers of STAR are Agency employees. The Agency Board has authorized STAR to act as interim owner of certain multi-family projects including Amity Village I and II and Phase II of the Scattered Site AIDS Program.

STAR was formed to act as a housing service corporation to purchase, finance, own, operate, maintain, develop, rehabilitate, construct, transfer, or resell properties under the Shore Easy Program, the AFL-CIO Demonstration Program and/or any other project or program as authorized by the Agency, particularly any project or program where the Agency administers Section 8 or other federal subsidies.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

On October 3, 2013, the Board Members of the Agency approved the dissolution of the Statewide Acquisition and Redevelopment Corporation. The Statewide Acquisition and Redevelopment Corporation received its Certificate of Dissolution dated December 9, 2013.

ABC

On April 17, 1997, the Board Members of the Agency approved the formation of a wholly-owned subsidiary corporation, the A Better Camden Corporation (ABC). The Board consists of four State Directors and three Camden Directors as follows: The Commissioner of the New Jersey Department of Community Affairs, ex officio, or his or her designee; the Executive Director of the Agency, ex officio, or his or her designee; two employees of the Agency appointed by, and serving at the pleasure of the Executive Director of the Agency; the Mayor of the City of Camden, ex officio, or his or her designee; the Executive Director of the Camden Redevelopment Agency, ex officio, or his or her designee; and one resident of Camden appointed by a majority of the other directors to serve for a term of two years. ABC was formed to stimulate and encourage the construction, rehabilitation and improvement of adequate and affordable housing in Camden, particularly for persons of low and moderate income.

Separate financial statements are issued for each of the component units and can be obtained by contacting the New Jersey Housing and Mortgage Finance Agency, 637 South Clinton Avenue, P.O. Box 18550, Trenton, New Jersey 08650-2085.

Basis of Accounting

The financial statements of the Agency and its component units are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, regardless of when the cash flow takes place. Operating costs and expenses are charged to expense as incurred.

The Agency is required to follow all statements of the GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

Prior Year Comparative Financial Information

The basic financial statements include certain prior year summarized comparative information that is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Descriptions of Funds

The accounts of the Agency are organized on the basis of separate enterprise funds, each of which is considered to be a separate accounting entity with a separate set of self balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, and revenues and expenses. Within each fund there are accounts required by the respective bond resolutions.

The Agency reports all funds as major funds. The following is a description of each fund:

General Fund – The General Fund is utilized to record transactions which are not directly related to a specific bond resolution. All Agency expenses are recorded in this fund except provisions for potential loan losses, and specific program expenses which are charged to the loan-related funds.

Multi-Family Program – The Multi-Family Program transactions relate to the construction, rehabilitation and permanent financing of multi-family rental housing developments generally designed for persons and families of low and moderate income or the elderly. The Multi-Family Program also provides funds for the bridge loan program. This program provides funds to multi-family construction projects to be used as owner's equity. These funds assist the construction project to finance pre-construction costs. Assets under the bond resolution are restricted and are not available for any other purpose other than as provided.

Single Family Program – The Single Family Program transactions relate to the purchase of mortgage loans for owner-occupied single-family residences for persons and families of low and moderate income. Assets under the bond resolution are restricted and are not available for any other purpose other than as provided.

The financial statements include the accounts of the Agency, STAR and ABC. All significant interfund accounts and transactions have been eliminated.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with a maturity of three months or less when purchased, short-term highly liquid money market funds, overnight repurchase agreements and amounts held in a tax-free cash management fund, all of which are readily convertible to known amounts of cash.

Investments

Investments in United States Government and Agency securities, asset-backed securities, corporate notes and commercial paper are reported at fair value. The Agency's investment agreements are reported at an amount equal to principal and accrued interest.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Related Depreciation

The Agency capitalizes all assets greater than \$500 at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings and building improvements	25
Motor vehicles	4
Machinery and equipment	4-10
Furniture and equipment	5

Expenses for maintenance and repairs are charged to operating expenses. Renewals and betterments are capitalized. At the time properties are retired or otherwise disposed of, their cost and related accumulated depreciation are eliminated from the accounts and the gains or losses from such disposals are credited or charged to operations.

Real Estate Owned

Real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Real estate owned is recorded at the lower of the investment in the loan or the estimated net realizable value.

Funds and Deposits Held for Projects

Certain funds and deposits are held by the Agency's General Fund for projects in interest-bearing accounts. Such interest accrues to the benefit of the projects and is not recorded as Agency revenue.

Debt Issuance Costs, Bond Discount and Other Bond Related Costs

Debt issuance costs except prepaid insurance costs are expensed in the period incurred. Discount and premium on bonds are unearned and amortized to interest expense using a method approximating the effective interest method.

Mortgage Loans

Mortgage loans are stated at principal amounts outstanding, net of unearned discount. Interest income on first mortgage loans is accrued and credited to interest income as earned. The Agency is involved in foreclosure proceedings relating to both single and multi-family mortgages. For single-family mortgages, the Agency allows its outside servicers to represent them in Agency-approved foreclosure proceedings. The Agency enacts foreclosure proceedings against Multi-Family loans at the direction of its executive director with the approval of the Agency's Board. The Agency is the first lien holder for all supplemental mortgages. Interest income on supplemental mortgages is not accrued, but is credited to income as collected.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

Certain projects have not generated sufficient cash flow to meet both operating expenses and debt service payments as a result of delays in attaining full occupancy levels, rising operating costs, or a combination thereof. The Agency has developed programs designed to provide adequate cash flow for these projects by obtaining additional rental assistance subsidies from HUD, rent increases, additional contributions by limited-dividend sponsors, the State of New Jersey Bond and Housing Assistance Funds and the Agency's General Fund. In addition, the Single Family home owners may face similar cash flow issues causing loans to become uncollectible. The Agency has provided allowances for loan losses aggregating \$384,495 and \$496,980 as of December 31, 2013 and 2012, respectively, against mortgage loans receivable, debt service arrears receivable, supplemental mortgages, other loans, and fees and charges including provision for negative cash flows and cost overruns for these projects. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of the loans. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. Economic conditions may result in the necessity to change the allowance quickly in order to react to deteriorating financial conditions of the Agency's borrowers. As a result, additional provisions on existing loans may be required in the future if borrowers' financial conditions deteriorate or if real estate values decline.

Advances from the State of New Jersey for Bond and Housing Assistance

Pursuant to the provisions of agreements with the State of New Jersey Department of Community Affairs, the Agency has received funds from the 1968 and 1976 State of New Jersey General Obligation Bond Assistance Funds. These funds have been pledged as security for the bonds of certain bond resolutions and to provide supplemental financing to certain housing projects (see Note 9).

Advances from the State of New Jersey for Affordable Housing

Pursuant to the provisions of an agreement with the State of New Jersey Department of Community Affairs, the Agency has received funds to facilitate the building of low income projects. The amount available for the program is \$3,081 as of December 31, 2013 and 2012 which is included in restricted cash and cash equivalents

Minimum Escrow Requirement

In accordance with the bond resolutions and/or deed and regulatory agreements, substantially all permanently financed projects are required to deposit with the Agency one month's principal and interest on their mortgage loans as security against the late payment of subsequent remittances.

Unearned Revenue

Unearned revenue represents the cumulative amount by which pass-through revenues exceed expenses.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Deferred Inflows

State and local governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* identifies those consumptions or acquisitions as *deferred outflows of resources* and *deferred inflows of resources*, respectively, and distinguishes them from assets and liabilities. As such, these transactions are reported on the Statement of Net Position.

Net Position

Net position comprises the excess of revenues over expenses from operating income, non-operating revenues, expenses and capital contributions. Net position is classified in the following three components:

Net investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any.

Restricted – Net position is reported as restricted when constraints placed on net position use either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of assets that do not meet the definition of restricted or net investment in capital assets. This component includes assets that may be designated for specific purposes by the Board.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first and unrestricted resources as needed.

Operating and Non-Operating Revenues and Expenses

Operating revenues consist primarily of all revenues derived from interest income on mortgage loans, fees and charges on mortgages and loans issued and gains on the sale of real estate owned. Investment income, which consists of interest income earned on various interest-bearing accounts and on investments in debt securities is reported as non-operating revenues.

Operating expenses include general and administrative expenses of the Agency; salaries and benefits; costs and expenses incurred in connection with the issuance and sale of certain bonds and notes; fees and expenses of trustees and depository and paying agents; and other costs associated with the Agency's various loan programs. Non-operating expenses principally include loss on early extinguishment of debt.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Rate Swaps

The Agency enters into various interest rate swaps in order to manage risks associated with interest on its bond portfolio.

Tax Status

The Agency is exempt from federal income taxes under the Internal Revenue Code Section 115 and from state income taxes under N.J.S.A. 27-25-16. Accordingly, no provision is recorded for federal and state income taxes.

Reclassifications

Certain reclassifications have been made to prior year summarized balances in order to conform to current year presentation. The reclassifications did not affect net position or changes therein.

New Accounting Pronouncements

In fiscal year 2013, the Agency implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The cumulative effect of the accounting change in connection with the implementation of GASB No. 65 was a reduction in net position of \$44.5 million as of the beginning of 2013 (see Note 2).

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES

In accordance with GASB No. 65, which was adopted effective January 1, 2013, the Agency restated the ending net position at December 31, 2012 in connection with unamortized bond issuance costs. According to GASB No. 65, debt issuance costs are recognized as expenses in the period incurred, rather than as deferred costs and subsequently amortized. The effect of this change in accounting principle is as follows:

Net position, December 31, 2012, as previously stated	\$ 906,807
Adjustments for GASB No. 65	<u>(44,511)</u>
Net position, December 31, 2012, restated	<u>\$ 862,296</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 – EARLY EXTINGUISHMENT OF DEBT

During the years ended December 31, 2013 and 2012, as a result of the prepayment and refinancing of certain mortgages, the Agency repurchased or redeemed, prior to their scheduled maturity, the principal amount of certain of its bonds, totaling approximately \$540,810 and \$134,055, respectively.

NOTE 4 – INVESTMENTS AND DEPOSITS

Investment Policy – Agency General Fund

The Agency has established an investment policy, which pertains to assets of the Agency such as the General Fund assets, which are held outside of the Agency's Bond Resolutions. The primary investment objectives of the Agency's investment activities are to preserve principal, meet liquidity needs, further purposes of the Agency and provide a suitable return in relationship to current market conditions and the established investment policy. The Agency's investment policy includes guidelines as to liquidity and duration, eligible investments, concentration limits, credit quality and currency. The Agency's General Fund cash and equivalents are managed by BlackRock pursuant to an agreement between the Agency and BlackRock. BlackRock has been instructed to follow the Agency's aforementioned investment policy.

The investment policy permits investments in obligations issued by U.S. Treasury or guaranteed by the U.S. government as well as obligations issued by or guaranteed by U.S. federal agencies, commercial paper, repurchase agreements having maximum maturities of seven days or less that are fully collateralized by U.S. government and/or agency securities, money market mutual funds and commercial bank obligations including time deposits, bank notes and bankers' acceptances, certain AAA rated asset-backed and mortgage-backed securities, highly rated corporate bonds and bond obligations of the Agency.

Investment Policy – Bond Resolutions

The Agency's Single Family and Multi Family Bond Resolutions govern the investment of assets and funds held under the Resolutions and, as such, establish permitted investments in which funds held under the Resolutions may be invested. The Agency currently has two Single Family Bond Resolutions and four Multi-Family Resolutions, all of which govern the types of investments in which monies held under each resolution may be invested. Generally, the Agency's Bond Resolutions permit the deposit of funds with commercial banks and the investment of funds in time deposits and certificates of deposits, U.S. government obligations, obligations of certain U.S. Government Agencies or obligations that are guaranteed by the U.S. Government. Additionally, certain of the Agency's Resolutions also permit the investment in money market funds with stipulated rating and maturity levels, as well as repurchase agreements, certain federal funds, commercial paper, bankers acceptances and funds of which the N.J. treasurer is custodian.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – INVESTMENTS AND DEPOSITS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency has no formal policy as to custodial credit risk related to cash and equivalents held outside of its Bond Resolutions. Certain of the Agency's Bond Resolutions have varying provisions which relate to custodial credit risk including requirements that certain monies and certain deposits of funds held under Resolutions be insured by federal deposit insurance or collateralized or secured by the U.S. government, or U.S. government agency obligations. In some cases, the Trustee or paying agent is excluded from these requirements related to funds held by them in trust. In some cases certain of the Agency's Bond Resolutions require that the holders (banks and other entities) of certain deposits have certain minimum long-term or short-term credit rating levels. All funds are deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA).

As of December 31, 2013, the Agency's bank balance amounted to \$265,470, of which \$173,853 was uninsured and uncollateralized.

New Jersey Cash Management Fund and Bank of America Cash Management Fund

During the year, the Agency invested certain funds in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants.

Investments with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. The Fund does not have a credit rating. The Agency also utilizes Bank of America Cash Management Funds for certain project escrow accounts. These funds are invested in government securities and NJ municipal securities. At December 31, 2013 and 2012, the Agency's investment in Cash Management Funds amounted to \$477,701 and \$566,030, respectively.

Investment Type and Interest Rate Risk Disclosure

The Agency holds various investments, outside of the Bond Resolutions, within the Agency's General Fund. As discussed, these investments are currently managed by BlackRock. In addition to the eligible investments permitted by the Agency's Investment Policy discussed above, the aforementioned Investment Policy also permits corporate bonds, notes and medium term notes.

Also permitted are asset backed securities, mortgage backed securities and collateralized mortgage obligations, however, these securities must be rated AAA by at least one of the national rating agencies. Equity investments in project-specific housing and housing-related developments which further the purposes of the Agency are also permitted with approval from the Agency Board. However, these investments may not exceed \$10 million. Further, excluding the aforementioned equity investments, the Agency's Investment Policy indicates that the average effective duration of the portfolio is not to exceed 2.5 years and the maximum effective duration of any individual security is not to exceed 6 years.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Type and Interest Rate Risk Disclosure (continued)

In addition to those investments discussed above, certain of the Agency's Bond Resolutions also permit guaranteed investment contracts or investment agreements, obligations or notes of certain U.S. government agencies which are not backed by the U.S. government, certain short-term and long-term debt providing the issuers fall within permissible rating categories, direct and general obligations of the State of New Jersey guaranteed by the State, obligations of states and municipalities which are fully secured by contributions contracts with the U.S. government, certain stripped U.S. Treasury securities, shares of open-end, diversified investment companies having certain minimum credit ratings and Federal Housing Administration debentures.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency's investment policy as to monies held outside the bond resolutions does impose concentration limits on certain types of investments which may limit the Agency's exposure to market interest rate risk. Certain investment types may evidence varying sensitivity to changes in interest rates. Corporate Bonds and notes and Medium term Notes may not exceed 50% of the aggregate market value of the portfolio. Asset Backed Securities may not exceed 30% of the aggregate market value of the portfolio and mortgage backed securities and collateralized mortgage obligations may not exceed 30% of the aggregate market value of the portfolio.

The average effective duration of the General Fund investment portfolio is not to exceed 2.5 years.

As of December 31, 2013 and 2012, the Agency had the following investments, maturities and credit quality related to the General Fund.

	Fair Value		Weighted Average Maturity (years)	Credit Ratings	
	2013	2012		S&P	Moody's
Investment type:					
U.S. Treasury Securities	\$ 61,839	\$ 70,255	2.98	AA+	Aaa
U.S. Government and Agency-Backed Securities	56,525	73,711	1.84	AA+	Aaa
Non-Agency Mortgage-Backed Securities	5,617	2,398	1.90	AAA	Aaa to Baa3
Commercial Paper	-	1,995	-		
Asset Backed Securities	34,013	26,871	1.86	AAA to AA+	Aaa
Corporate Notes	119,684	101,556	2.69	AAA to A-	Aaa to Baa1
Municipal Bonds	18,095	18,410	16.14	A+	Unrated
Other Short-Term Instruments	510	797	-	Unrated	Unrated
Total investments	\$ 296,283	\$ 295,993			

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – INVESTMENTS AND DEPOSITS (CONTINUED)

Interest Rate Risk (continued)

As of December 31, 2013 and 2012, the Agency had the following investments, maturities and credit quality related to the Bond Resolutions.

	Fair Value		Weighted Average Maturity (years)	Credit Ratings	
	2013	2012		S&P	Moody's
Investment type:					
Guaranteed Investment Contracts	\$ 156,152	\$ 189,225	17.20	Unrated	Unrated
U.S. Treasury Securities	16,071	15,329	0.31	AA+	Aaa
U.S. Government and Agency-Backed Securities	3,245	3,819	18.55	AA+	Aaa
Total investments	<u>\$ 175,468</u>	<u>\$ 208,373</u>			

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Agency's investment policy specifies minimum rating levels for certain types of eligible investments. Asset backed securities, mortgage backed securities and collateralized mortgage obligations must have a minimum rating of AAA. Further, the minimum short-term debt rating of money market instruments or other instruments with maturities of less than one year is Tier Two while the minimum long-term debt rating for all other instruments, excluding the permitted equity investments, is single A.

The Agency's Bond Resolutions establish varying minimum rating levels for different types of investments. Generally, commercial paper must be rated in the highest rating category or A-1 / P-1 and money market funds must be rated in the highest rating category or in some cases must be rated at least the unenhanced rating on the bonds. Also, certain resolutions require that certain deposits or various short-term investments or cash equivalents may only be held by providers in either the highest or two highest rating categories. In some cases, certain debt obligations and state obligations must be rated in either the highest or the two highest rating categories. The Agency's guaranteed investment contracts which are permitted by certain of the Agency's Bond Resolutions are not rated, however, the Bond Resolutions which allow guaranteed investment contracts require either that the provider of such contracts have a long-term rating of double A or in some cases A-1 if the agreement term is less than one year or be rated within the two highest credit rating categories by two national credit rating agencies, must not affect the rating of the bonds or must be rated at least the unenhanced rating on the bonds.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – INVESTMENTS AND DEPOSITS (CONTINUED)

Concentration of Credit Risk

The Agency's aforementioned investment policy does place limits on the amounts that may be invested in any one issuer relating to certain types of investments. There are no concentration limits on obligations of the U.S. government and U.S. federal agencies; however, obligations of all other issuers are limited such that those with any one issuer may not exceed 5% of the aggregate market value of the portfolio.

The following table shows investments of the General Fund in issuers that represent 5% or more of total investments at December 31, 2013:

Issuer	December 31, 2013	
US Treasury Notes	\$ 61,759	22.25%
Federal National Mortgage Association (FNMA)	29,748	10.72%
Federal Home Loan Mortgage Corporation (FHLMC)	22,441	8.08%

The Agency also purchases U.S. Government securities from certain financial institutions under agreements whereby the seller has agreed to repurchase the securities at cost plus accrued interest. During the years ended December 31, 2013 and 2012, the Agency did not invest in any repurchase agreements.

Although the bond resolutions do not impose such limits, the following table shows investments of the Bond Resolutions in issuers that represent 5% or more of total investments at December 31, 2013:

Issuer	December 31, 2013	
Natixis Funding Corp(fmr IXIS)	\$ 99,333	56.61%
Monumental Life/AEGON	23,907	13.62%
US Treasury	16,071	9.16%
GE Capital	11,770	6.71%

Pursuant to most bond resolutions, the Agency is required to maintain certain invested debt service reserves with the Trustees to fund potential deficiencies in principal and interest required to be paid in succeeding fiscal years. These debt service reserve investments for the Multi-Family Program (funded by bond proceeds) are included in the restricted balances of \$137,395 and aggregate a fair value of approximately \$40,460 and \$34,536 as of December 31, 2013 and 2012, respectively. The debt service reserve for several of the Multi-Family issues is called the Housing Finance Fund. The debt service reserve investments for the Single-Family Program (funded by bond proceeds or contributed cash) are included in the restricted investment balances of \$38,073 and had an aggregate fair value of approximately \$16,120 and \$18,910 as of December 31, 2013 and 2012, respectively. In addition to the above investments, the debt service reserves may be satisfied with a Surety Bond issued by a qualified insurer. The Multi-Family component had \$26,162 and \$71,684 and the Single-Family component had \$0 of Surety Bonds outstanding as of December 31, 2013 and 2012.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – INVESTMENTS AND DEPOSITS (CONTINUED)

Investment Income

Investment income is comprised of the following elements:

Interest Income – is the return on the original principal amount invested and the amortization of premium/discount on short-term investments.

Unrealized Gain (Loss) on Investments – takes into account all changes in fair value that occurred during the year.

The Agency's investment income for the years ended December 31 is:

	<u>2013</u>	<u>2012</u>
Interest income on investments	\$ 12,926	\$ 16,328
Unrealized loss on investments	(3,706)	(903)
Total	<u>\$ 9,220</u>	<u>\$ 15,425</u>

NOTE 5 – MORTGAGE LOANS RECEIVABLE

Single-Family Mortgage Component

Mortgage loans held by the Single-Family Mortgage Program of the Agency have stated interest rates and are secured by first liens on the related real property. The outstanding balances by type of loan as of December 31 are as follows:

	<u>2013</u>	<u>Restated 2012</u>
Mortgage loans receivable	\$ 1,250,897	\$ 1,289,667
Commitment fees - net	-	(1,293)
Allowance for loan losses	(19,829)	(5,628)
Mortgage receivable - net	1,231,068	1,282,746
Less current portion	(31,513)	(30,627)
Long term portion	<u>\$ 1,199,555</u>	<u>\$ 1,252,119</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 – MORTGAGE LOANS RECEIVABLE (CONTINUED)

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's mortgage loans receivable as of December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	\$ 129,904	\$ 147,799
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	163,066	181,538
Unsubsidized mortgage loans	<u>677,115</u>	<u>809,780</u>
Subtotal	970,085	1,139,117
Allowance for loan losses	(27,144)	(112,845)
Undisbursed mortgage loans	<u>(1,947)</u>	<u>(19,930)</u>
Mortgage receivable - net	940,994	1,006,342
Less current portion	<u>(58,122)</u>	<u>(76,351)</u>
Long term portion	<u><u>\$ 882,872</u></u>	<u><u>\$ 929,991</u></u>

General Fund Component

The General Fund mortgage loans receivable as of December 31 consisted of the following:

	<u>2013</u>	<u>Restated 2012</u>
Mortgage loans subject to subsidy contracts under Section 8 of the United States Housing Act	\$ 14,592	\$ 15,626
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	21,494	22,512
Unsubsidized mortgage loans	219,514	220,098
Unearned discounts - net	<u>-</u>	<u>(3)</u>
Subtotal	255,600	258,233
Allowance for loan losses	(69,700)	(74,533)
Advanced (undisbursed) mortgage proceeds	<u>(12,034)</u>	<u>(133)</u>
Mortgage receivable - net	173,866	183,567
Less current portion	<u>(3,349)</u>	<u>(4,191)</u>
Long term portion	<u><u>\$ 170,517</u></u>	<u><u>\$ 179,376</u></u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 – MORTGAGE LOANS RECEIVABLE (CONTINUED)

The Multi-Family Housing Component mortgage loans are repayable over terms originally up to 48 years and bear interest at rates from 0% to 13% per annum. Substantially all mortgage loans receivable are collateralized by first mortgages on the property of the housing sponsors and contain exculpatory clauses with respect to the liability of the principals of such housing sponsors.

Construction advances made from the proceeds of the sale of bonds and obligations are recorded as mortgage loans receivable. These funds are disbursed for construction costs, interest, carrying fees, working capital advances and other project-related expenses. Upon substantial completion and occupancy of the project, amortization of the loan will commence.

NOTE 6 – DEBT SERVICE ARREARS RECEIVABLE

Debt service arrears consist of mortgage principal, interest payments and fees in arrears on permanently financed loans, net of the allowance for loan losses as described in Note 5. The debt service arrears receivable was \$91,323 and \$125,890 at December 31, 2013 and 2012, respectively. The debt service allowance for loan losses was \$74,713 and \$108,807 as of December 31, 2013 and 2012, respectively. A subsidy payment receivable of \$1,809 and \$1,790 was due at December 31, 2013 and 2012, respectively.

The Agency requires FHA guarantees, VA insurance, private mortgage insurance, pool insurance and other features to increase the security of Single-Family mortgage loans depending on the individual bond resolution and individual mortgages.

For the Single-Family component, the Agency's allowance is based on historical loss percentages applied to all mortgage loan principal balances. Accrued interest in excess of 180 days is fully reserved.

For the Multi-Family Housing Component, the Agency's policy is to provide an allowance for substantially all interest receivable on first mortgage loans when interest payments become past due, except for Section 8 program loans for which no allowance is recorded due to the nature of those specific loans. An allowance of approximately \$23,320 and \$54,762 against interest receivable was recorded at December 31, 2013 and 2012, respectively. The balances of loans included in mortgage loans receivable for which an allowance has been recorded against interest receivable amounted to \$295,786 and \$318,012 as of December 31, 2013 and 2012, respectively.

NOTE 7 – SUPPLEMENTAL MORTGAGES AND OTHER LOANS

Certain projects have received supplemental mortgages and other loans from the Agency's General Fund and/or from the State of New Jersey Bond and Housing Assistance Funds. An allowance for loan losses has not been provided on supplemental mortgages funded from the State Bond and Housing Assistance Funds because the Agency is not obligated to repay the State until the projects repay the Agency.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – SUPPLEMENTAL MORTGAGES AND OTHER LOANS (CONTINUED)

General Fund Component

The General Fund supplemental mortgages and other loans receivable as of December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Mortgage loans subject to subsidy contracts under Section 8 of the National Housing Act	\$ 844	\$ 844
Mortgage loans subject to subsidy contracts under Section 236 of the National Housing Act	2,528	3,308
Agency supplemental mortgages	212,247	252,123
Special Needs Housing Trust Fund mortgages	144,651	135,934
HUD supplemental mortgages	881	881
Loans to projects	10,349	15,665
State of New Jersey supplemental mortgages	13,283	14,537
Other	<u>6,355</u>	<u>5,752</u>
Subtotal	391,138	429,044
Allowance for loan losses	(26,180)	(36,017)
Allowance for Special Needs Housing Trust	(144,309)	(135,592)
Undisbursed supplemental mortgage proceeds	<u>(8,718)</u>	<u>(19,116)</u>
Supplemental mortgages and other loans receivable, net	211,931	238,319
Less current portion	<u>(958)</u>	<u>(1,588)</u>
Long term portion	<u><u>\$ 210,973</u></u>	<u><u>\$ 236,731</u></u>

Based on the program type, certain supplemental loans under the General Fund Component have significant allowances in place.

Multi-Family Housing Component

The Multi-Family Housing Component of the Agency's supplemental mortgage receivable and other loans as of December 31 consisted of the following:

	<u>2013</u>	<u>2012</u>
Supplemental mortgages	\$ 64,704	\$ 71,898
Allowance for loan losses	<u>(18,014)</u>	<u>(23,651)</u>
Long term portion	<u><u>\$ 46,690</u></u>	<u><u>\$ 48,247</u></u>

Single-Family Housing Component

The Single-Family Housing Component of the Agency's supplemental mortgage receivable was \$12,765 and \$16,110 as of December 31, 2013 and 2012, respectively.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 8 – CAPITAL ASSETS

Capital assets are summarized as follows:

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
Non-depreciable capital assets:				
Land	\$ 1,225	\$ -	\$ -	\$ 1,225
Depreciable capital assets:				
Building and building improvements	23,087	7	(6,075)	17,019
Motor vehicles	635	-	(94)	541
Machinery and equipment	6,092	545	(60)	6,577
Furniture and fixtures	480	57	-	537
Total	30,294	609	(6,229)	24,674
Less accumulated depreciation:				
Building and building improvements	(15,167)	(680)	6,075	(9,772)
Motor vehicles	(422)	(93)	94	(421)
Machinery and equipment	(5,500)	(196)	60	(5,636)
Furniture and fixtures	(389)	(31)	-	(420)
Total	(21,478)	(1,000)	6,229	(16,249)
Total capital assets, net	\$ 10,041	\$ (391)	\$ -	\$ 9,650

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
Non-depreciable capital assets:				
Land	\$ 1,225	\$ -	\$ -	\$ 1,225
Depreciable capital assets:				
Building and building improvements	22,945	142	-	23,087
Motor vehicles	676	-	(41)	635
Machinery and equipment	5,984	115	(7)	6,092
Furniture and fixtures	415	65	-	480
Total	30,020	322	(48)	30,294
Less accumulated depreciation:				
Building and building improvements	(14,490)	(677)	-	(15,167)
Motor vehicles	(372)	(91)	41	(422)
Machinery and equipment	(5,283)	(224)	7	(5,500)
Furniture and fixtures	(370)	(19)	-	(389)
Total	(20,515)	(1,011)	48	(21,478)
Total capital assets, net	\$ 10,730	\$ (689)	\$ -	\$ 10,041

Depreciation expense was \$1,000 and \$1,011 for the years ended December 31, 2013 and 2012, respectively.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 – BONDS AND OBLIGATIONS

The Agency obtains funds to finance its various mortgage programs through the sale of bonds and other obligations. Interest on Agency bonds and obligations is generally payable monthly, quarterly or semiannually. Generally, bond principal is due in annual or semiannual installments. Term bonds are subject to redemption by application of sinking fund installments. Pursuant to the related bond and obligation resolutions, the Agency has authorized and issued as of December 31, 2013 the following bonds and obligations:

Description of Bonds as Issued	Restated Bonds Outstanding December 31, 2012	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2013	Amount Due Within One Year
Single Family					
Housing Revenue Bonds:					
2004 Series H, 3.95% to 5.25%, due 2011 to 2034	\$ 2,580	\$ -	\$ 2,580	\$ -	\$ -
2004 Series I, variable rate, due 2025 to 2034	19,800	-	875	18,925	1,315
2005 Series L, 2.625% to 4.35%, due 2006 to 2017	6,775	-	1,270	5,505	-
2005 Series M, 4.87% to 5.00%, due 2026 to 2036	9,320	-	6,675	2,645	-
2005 Series N, variable rate, due 2017	18,785	-	3,170	15,615	3,300
2005 Series O, variable rate, due 2026 to 2031	39,025	-	-	39,025	-
2005 Series P, variable rate, due 2008 to 2025	13,945	-	1,895	12,050	1,970
2005 Series Q, variable rate, due 2010 to 2032	19,420	-	8,670	10,750	285
2005 Series R, variable rate, due 2031 to 2038	24,565	-	-	24,565	-
2007 Series S, 3.60% to 4.05%, due 2008 to 2017	28,305	-	5,145	23,160	5,335
2007 Series T, 4.55% to 5.25%, due 2022 to 2047	111,355	-	13,280	98,075	-
2007 Series U, 3.60% to 5%, due 2008 to 2037	70,400	-	23,635	46,765	725
2007 Series V, variable rate, due 2037	96,375	-	-	96,375	-
2008 Series X, 3.25% to 5.375%, due 2030	34,250	-	18,790	15,460	1,350
2008 Series Y, variable rate, due 2039	78,130	-	-	78,130	-
2008 Series Z, variable rate, due 2034	37,580	-	-	37,580	1,105
2008 Series AA, 3.00% to 6.50%, due 2038	107,975	-	32,435	75,540	2,205
2008 Series BB, variable rate, due 2039	79,085	-	-	79,085	-
2009 Series CC, .88% to 5.25%, due 2038	60,805	-	10,220	50,585	615
2009 Series DD, .75% to 3.50%, due 2017	17,915	-	3,005	14,910	3,625
2009 Series EE, 2.00% to 5.20%, due 2025	33,550	-	3,785	29,765	-
2009 Series FF, 4.00% to 5.05%, due 2039	13,135	-	2,110	11,025	-
2009 Series GG, 1.00% to 5.00%, due 2039	22,670	-	2,050	20,620	445
Total housing revenue bonds	945,745	-	139,590	806,155	22,275
Single Family Home Mortgage Bonds:					
2009 Series A1, 3.63%, due 10/01/2041	104,150	-	2,370	101,780	-
2009 Series A2, 3.63%, due 10/01/2029	44,610	-	1,080	43,530	-
2011 Series A, .50% to 4.65%, due 10/01/2029	93,700	-	8,595	85,105	6,545
2009 Series B1, 2.64%, due 10/01/2041	95,830	-	3,190	92,640	-
2009 Series B2, 2.64%, due 10/01/2025	58,700	-	2,020	56,680	-
2011 Series B, 4.00% to 4.50%, due 10/01/2032	71,985	-	3,340	68,645	-
2011 Series C, .3% to 2.25%, due 04/01/2017	6,155	-	1,510	4,645	1,580
2011 Series D, 1.2% to 3.25%, due 04/01/2018	22,050	-	3,145	18,905	3,765
Total single family home mortgage bonds	497,180	-	25,250	471,930	11,890
Total single family	1,442,925	-	164,840	1,278,085	34,165
Net premium on bonds payable	3,884	-	(242)	3,642	-
Total single family bonds payable (net)	\$ 1,446,809	\$ -	\$ 164,598	\$ 1,281,727	\$ 34,165

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 – BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Restated Bonds Outstanding December 31, 2012	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2013	Amount Due Within One Year
Multi Family					
General housing loan bonds:					
1970 Series A, 4.50% to 5.40%, due 2004 to 2019	\$ 1,510	\$ -	\$ 190	\$ 1,320	\$ 195
1971 Series A, 5.35% to 5.40%, due 2004 to 2019	9,160	-	1,450	7,710	1,475
1972 Series B, 5.20% to 5.25%, due 2004 to 2021	10,465	-	1,885	8,580	1,980
Total general housing loan bonds	21,135	-	3,525	17,610	3,650
Multi-Family Housing Revenue:					
1991 Series I, (Presidential Plaza) 6.50% to 7.00%, due 2004 to 2030	105,165	-	3,365	101,800	3,605
Multi-Family Housing Revenue Bonds					
1995 Resolution:					
1997 Series A, 4.45% to 5.65%, due 2004 to 2040	42,605	-	42,605	-	-
1997 Series C, 6.47% to 7.42%, due 2004 to 2040	5,085	-	5,085	-	-
1999 Series A, 3.95% to 5.15%, due 2004 to 2030	15,450	-	15,450	-	-
1999 Series B, 3.85% to 4.70%, due 2004 to 2013	55	-	55	-	-
1999 Series C, 5.97% to 7.12%, due 2004 to 2030	4,590	-	4,590	-	-
2000 Series A1, 5.10% to 6.35%, due 2004 to 2032	12,630	-	12,630	-	-
2000 Series B, 5.00% to 6.25%, due 2004 to 2026	18,565	-	18,565	-	-
2000 Series C1, 8.38%, due 2004 to 2032	11,305	-	11,305	-	-
2000 Series C2, variable rate, due 2004 to 2032	5,160	-	115	5,045	125
2000 Series E1, 4.65% to 5.75%, due 2004 to 2025	23,425	-	23,425	-	-
2000 Series E2, 4.65% to 5.75%, due 2004 to 2025	2,105	-	2,105	-	-
2000 Series F, 7.93%, due 2004 to 2031	14,265	-	14,165	100	-
2000 Series G, 4.65% to 5.35%, due 2004 to 2013	330	-	330	-	-
2001 Series A, 3.10% to 5.05%, due 2004 to 2034	15,590	-	15,590	-	-
2001 Series B, 6.64%, due 2004 to 2032	11,435	-	11,435	-	-
2002 Series B, variable rate, due 2004 to 2023	11,365	-	5,675	5,690	450
2002 Series C, 2.90% to 4.95%, due 2004 to 2015	1,770	-	1,770	-	-
2002 Series F, 3.75% to 5.40%, due 2004 to 2016	4,175	-	4,175	-	-
2002 Series G, variable rate, due 2004 to 2025	4,395	-	255	4,140	260
2003 Series A, 1.40% to 5.05%, due 2004 to 2044	25,380	-	25,380	-	-
2003 Series C, 1.20% to 4.70%, due 2004 to 2033	3,075	-	3,075	-	-
2004 Series A, 1.80% to 3.75%, due 2006 to 2014	3,490	-	2,320	1,170	1,170
2004 Series D, 1.70% to 5.20%, due 2006 to 2046	19,210	-	845	18,365	890
2008 Series 1, 5.75%, due 2038	3,510	-	250	3,260	-
2008 Series 2, 4.375%, due 2046	6,370	-	-	6,370	-
2008 Series 3, variable rate, due 2046	159,040	-	159,040	-	-
2008 Series 4, variable rate, due 2037	21,100	-	21,100	-	-
2013 Series 1, 0.20% to 4.25%, due 2013 to 2039	-	49,535	2,060	47,475	1,420
2013 Series 2, 0.50% to 4.75%, due 2013 to 2046	-	89,000	1,425	87,575	2,220
2013 Series 3, 0.60% to 5.01%, due 2013 to 2034	-	44,520	795	43,725	1,245
2013 Series 4, 0.90%, due 2015	-	51,645	-	51,645	-
2013 Series 5, variable rate, due 2046	-	127,670	1,065	126,605	3,160
2013 Series 6, variable rate, due 2037	-	17,340	285	17,055	435
2013 Series 7, 1.25%, due 2015	-	4,990	-	4,990	-
Total 1995 Resolution	\$ 445,475	\$ 384,700	\$ 406,965	\$ 423,210	\$ 11,375

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 – BONDS AND OBLIGATIONS (CONTINUED)

Description of Bonds as Issued	Restated Bonds Outstanding December 31, 2012	Issued	Matured/ Called/ Redeemed	Bonds Outstanding December 31, 2013	Amount Due Within One Year
Multi-Family Housing Revenue Bonds					
2005 Resolution:					
2005 Series A1, 2.20% to 4.95%, due 2005 to 2046	\$ 21,645	\$ -	\$ 425	\$ 21,220	\$ 445
2005 Series A2, 4.95%, due 2040 to 2046	4,365	-	-	4,365	-
2005 Series D, 2.00% to 4.70%, due 2005 to 2030	23,410	-	4,935	18,475	1,155
2005 Series F, variable rate, due 2005 to 2040	11,430	-	445	10,985	470
2005 Series G, variable rate, due 2007 to 2047	4,530	-	65	4,465	75
2006 Series A, variable rate, due 2006 to 2028	19,610	-	950	18,660	990
2006 Series B, variable rate, due 2006 to 2028	6,280	-	605	5,675	500
2006 Series C, 4.90% to 5.00%, due 2007 to 2026	2,740	-	60	2,680	60
2006 Series E, 4.65% to 4.80%, due 2007 to 2036	4,805	-	100	4,705	100
2007 Series A, 3.75% to 4.95%, due 2008 to 2048	23,780	-	-	23,780	-
2007 Series B, 5.39% to 6.13%, due 2017 to 2037	4,430	-	75	4,355	80
2007 Series G, variable rate, due 2008 to 2034	13,385	-	490	12,895	520
2007 Series I, variable rate, due 2008 to 2029	7,005	-	280	6,725	295
2008 Series A, 2.5% to 6.0%, due 2009 to 2050	9,715	-	140	9,575	120
2008 Series B, variable rate, due 2008 to 2048	55,745	-	545	55,200	575
2008 Series C, variable rate, due 2009 to 2039	10,180	-	150	10,030	180
2008 Series D, 2.75% to 5.20%, due 2008 to 2019	4,065	-	550	3,515	570
2008 Series E, 2.00% to 5.63%, due 2008 to 2029	14,500	-	1,275	13,225	1,135
2008 Series F, variable rate, due 2019 to 2048	96,025	-	-	96,025	-
2008 Series G, variable rate, due 2008 to 2039	14,585	-	190	14,395	210
2009 Series A, 1.95% to 4.95%, due 2011 to 2041	30,395	-	385	30,010	725
2009 Series B, 4.70% to 4.90%, due 2010 to 2040	3,955	-	55	3,900	60
2009 Series D, variable rate, due 2010 to 2048	18,410	-	315	18,095	325
2010 Series A, 0.8% to 4.65%, due 2011 to 2041	6,805	-	330	6,475	335
2010 Series B, 1.10% to 1.70%, due 2012 to 2014	6,390	-	-	6,390	6,390
2010 Series C, 1.12% to 6.65%, due 2011 to 2044	43,735	-	1,110	42,625	805
2012 Series A, 1.00% to 4.55%, due 2013 to 2043	22,080	-	165	21,915	305
2012 Series B, .9% to 1.75%, due 2013 to 2016	21,865	-	5,770	16,095	9,875
2012 Series C, 4.38%, due 2013 to 2025	3,170	-	20	3,150	35
2012 Series D, 1.13%, due 2014	23,990	-	8,715	15,275	15,275
2012 Series E, 1.439% to 5.086%, due 2013 to 2043	9,310	-	130	9,180	125
2012 Series F, 4.83%, due 2014 to 2025	355	-	-	355	5
Total 2005 bond resolution	542,690	-	28,275	514,415	41,740
Total multi-family bonds program	1,114,465	384,700	442,130	1,057,035	60,370
Net discount on bonds payable	(224)	-	(2)	(226)	-
Total multi-family bonds payable (net)	1,114,241	384,700	442,128	1,056,809	60,370
Total bonds payable	\$ 2,561,050			\$ 2,338,536	\$ 94,535

On March 31, 2013, the Agency issued \$384,700 in Multi-Family Housing Revenue Bonds 2013 Series 1-7 (MF 1995) to economically refund over 85% of the Resolution's debt. The net proceeds were used to refund \$371,090 of outstanding bonds. The transaction is estimated to produce approximately \$32.0 million in gross cash flow savings and \$27.0 million in after cost present value (PV) debt service savings.

Simultaneously with the issuance of the Multi-Family Revenue Bonds, 2009 Series A, B, C and D, the agency issued and delivered to the trustee, for the benefit of the holders of all bonds outstanding under the Multi-family 2005 Resolution a surety bond up to an amount not to exceed \$25,000 which is included as pledged funds under the resolution. The Agency Surety is a limited, general obligation of the Agency, and has a term expiring no later than November 1, 2016.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 – BONDS AND OBLIGATIONS (CONTINUED)

Interest paid on variable-rate tax-exempt bonds is closely correlated with The Securities Industry and Financial Markets Association Municipal Swap (SIFMA) Rate and taxable bond rates are closely correlated with LIBOR or the FHLB Discount Note rate plus a fixed spread. Generally, note resets occur quarterly, monthly or weekly.

The net proceeds of the aforementioned bonds and obligations were used to make qualified mortgage loans, purchase eligible residential mortgage and home improvement loans and/or establish debt service reserve accounts.

As of December 31, 2013 and 2012, there was \$1,947 and \$23,536, respectively, of undisbursed proceeds from the sale of bonds and obligations. Such funds represent initial mortgage loan funds committed to Multi-Family Housing sponsors authorized under various resolutions.

Future Principal and Interest Requirements

The approximate principal and interest payments required on outstanding bonds and obligations over the next five years and thereafter are as follows:

Agency Component	Fixed and Unhedged Variable Rate		Hedged Variable Rate			Total Principal	Related Interest and Interest Rate Swaps, Net
	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net		
Single Family							
2014	\$ 27,505	\$ 35,535	\$ 6,660	\$ 210	\$ 13,229	\$ 34,165	\$ 48,974
2015	28,645	34,676	8,355	191	12,976	37,000	47,843
2016	29,665	33,708	9,000	187	12,666	38,665	46,561
2017	28,695	32,661	10,650	183	12,335	39,345	45,179
2018	27,450	31,572	7,530	178	11,916	34,980	43,666
2019-2023	165,220	138,591	41,470	827	54,431	206,690	193,849
2024-2028	201,235	100,484	40,905	708	45,623	242,140	146,815
2029-2033	182,350	58,341	99,380	490	36,316	281,730	95,147
2034-2038	152,765	25,537	131,240	187	15,225	284,005	40,949
2039-2041	61,480	3,118	17,885	6	474	79,365	3,598
Total	\$ 905,010	\$ 494,223	\$ 373,075	\$ 3,167	\$ 215,191	\$ 1,278,085	

Agency Component	Fixed and Unhedged Variable Rate		Hedged Variable Rate			Total Principal	Related Interest and Interest Rate Swaps, Net
	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net		
Multi-Family							
2014	\$ 52,375	\$ 27,295	\$ 7,995	\$ 516	\$ 17,982	\$ 60,370	\$ 45,793
2015	83,560	26,001	9,230	495	17,517	92,790	44,013
2016	26,405	24,866	9,680	479	17,135	36,085	42,480
2017	26,665	23,926	10,105	460	16,691	36,770	41,077
2018	24,160	22,869	10,495	442	16,216	34,655	39,527
2019-2023	124,490	98,969	71,735	1,897	72,416	196,225	173,282
2024-2028	120,050	69,357	79,615	1,306	54,681	199,665	125,344
2029-2033	91,070	39,343	66,745	816	37,292	157,815	77,451
2034-2038	57,540	20,960	63,065	436	22,674	120,605	44,070
2039-2043	36,915	8,274	40,905	178	11,692	77,820	20,144
2044-2048	11,280	1,986	31,380	48	3,329	42,660	5,363
2049-2050	1,575	70	-	-	-	1,575	70
Total	\$ 656,085	\$ 363,916	\$ 400,950	\$ 7,073	\$ 287,625	\$ 1,057,035	

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 10 – CONDUIT DEBT OBLIGATIONS

The Agency may issue bonds to provide funds to local Housing Authorities to finance on an accelerated basis certain capital renovations and an improvement to each of the Authority's public housing developments. The bonds are payable from and secured primarily by Capital Fund Program monies, subject to the availability of appropriations to be paid by the United States Department of HUD to each Authority. The Agency may also issue other bonds for housing development purposes. These bonds are special and limited obligations of the Agency. The bonds, which are considered conduit debt obligations by GASB, do not constitute a debt or pledge of the faith and credit of the Agency and, accordingly, have not been reported in the accompanying financial statements.

At December 31, 2013 and 2012, conduit debt outstanding aggregated \$252,975 and \$152,246, respectively.

The Agency's MF Conduit Bonds Outstanding as of December 31, 2013 are as follows:

Conduit Project	Series	Closing Date	Balance At Closing	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013
^ Capital Funds Program Revenue Bonds	2004-A	12/23/2004	\$ 79,860	\$ 56,855	\$ -	\$ (3,315)	\$ 53,540
^ Capital Funds Program Revenue Bonds	2007-A	8/15/2007	18,585	18,290	-	(3,720)	14,570
* 2006-A Meadow Brook Apartments	2006-A	9/9/2006	8,350	6,830	-	-	6,830
* Woodbury Oakwood Housing Project	2011-A	12/21/2011	4,550	4,550	-	-	4,550
* Asbury Park Gardens	2012-A	7/1/2012	14,310	14,310	-	(165)	14,145
* Washington Dodd	2012-F	12/12/2012	19,755	19,755	-	(110)	19,645
* Carl Miller Homes	2012-F	12/28/2012	31,656	31,656	-	-	31,656
* Hampshire House	2012-D	1/11/2013	6,400	-	6,400	-	6,400
* Alexander Hamilton III	2013-B	2/20/2013	11,762	-	11,762	(255)	11,507
* McIver Homes	2013-C	5/23/2013	5,200	-	5,200	(15)	5,185
* Somerset Mews ⁽¹⁾	2013-A	8/23/2013	2,984	-	7,167	-	7,167
* Penny Point Apartments	2013-L	10/10/2013	9,200	-	9,200	-	9,200
* Chestnut Homes Apartments	2013-K	11/19/2013	6,900	-	6,900	-	6,900
* Salem Lafayette Apartments	2013-J	12/16/2013	61,680	-	61,680	-	61,680
Total conduit debt			<u>\$ 281,192</u>	<u>\$ 152,246</u>	<u>\$ 108,309</u>	<u>\$ (7,580)</u>	<u>\$ 252,975</u>

^ Capital Fund bonds to finance certain capital renovations

* Fixed rate bonds to finance a single Multifamily project

¹ The 2013-A (Somerset Mews) bonds in the amount of \$60, 035 were issued as direct purchase, drawdown bonds. Bond proceeds are drawn down periodically as needed by the borrower. Bonds are not considered outstanding until drawn by the borrower.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 11 – FUNDS HELD IN TRUST FOR MORTGAGORS

Funds held by the Agency for its projects include proceeds from conversion of projects from non-profit to limited dividend status in the form of development cost and community development escrows and unspent subsidies. These funds are available to absorb initial operating deficits, construction overruns, provide additional amenities to the projects, and for other contingencies.

Funds held in trust for mortgagors as of December 31 include the following:

	<u>2013</u>	<u>2012</u>
Multi-family housing component	\$ 40,350	\$ 39,226
General fund:		
Community development escrows	1,644	1,644
Development cost escrows	5,356	5,309
Other funds held in trust	277,965	319,034
Total general fund	<u>284,965</u>	<u>325,987</u>
Total	<u><u>\$ 325,315</u></u>	<u><u>\$ 365,213</u></u>

NOTE 12 – MORTGAGOR ESCROW DEPOSITS

The Agency holds, in escrow, monthly deposits from the projects for payments of property and liability insurance, hazard insurance, payments in lieu of taxes, and major repairs and replacements and undisbursed earnings. Mortgagor escrow deposits as of December 31 include the following:

	<u>2013</u>	<u>2012</u>
Multi-family housing component	\$ 2,775	\$ 4,094
General fund:		
Reserve for repairs and replacements	181,372	170,352
Tax and insurance escrows	44,694	43,471
Total general fund	<u>226,066</u>	<u>213,823</u>
Total	<u><u>\$ 228,841</u></u>	<u><u>\$ 217,917</u></u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity is summarized as follows:

	Restated Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Bonds and obligations, net	\$ 2,546,558	\$ 384,700	\$ 592,722	\$ 2,338,536	\$ 94,535
Minimum escrow requirement	9,801	2,170	3,195	8,776	-
Funds held in trust for mortgagor	365,210	461,326	501,221	325,315	-
Unearned revenues	63,812	-	63,812	-	-
Derivative instrument	-	91,406	-	91,406	-
OPEB liability	51,730	7,485	-	59,215	-
Other non-current liabilities	21,017	2,122	15,627	7,512	-
Total	<u>\$ 3,058,128</u>	<u>\$ 949,209</u>	<u>\$ 1,176,577</u>	<u>\$ 2,830,760</u>	<u>\$ 94,535</u>

NOTE 14 – NET POSITION

Restricted Under Bond and Obligation Resolutions

As described in Note 3, monies within each Bond and Obligation Fund are pledged as security for the respective bondholders, and thus are restricted as to their application.

Restricted

Restricted net position represents the portion of total net position restricted by the various programs established for the sole purpose of providing housing and residential opportunities for individuals with special needs. All restricted amounts are net of related liabilities.

Appropriated General Fund Net Position

Appropriated General Fund net position is unrestricted net position that has been designated by the Agency's members for the following purposes at December 31, 2013 and 2012.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 14 – NET POSITION (CONTINUED)

Appropriated General Fund Net Position (continued)

	<u>2013</u>	<u>2012</u>
ABC Corporation	\$ 1,468	\$ 1,468
Affordable Rental Housing Subsidy Loan Program	2	2
Agency CIAP	921	701
Aging Out of Foster Care	1,135	1,300
At Home Downtown	154	154
Bond Refunding Proceeds	1,687	1,687
Camden Initiative	458	458
Cash Flow Swap Advisory	533	374
CHOICE	33,771	41,155
CIAP Loan Program	4,971	5,864
Developmental Disabilities Partnership	6,437	10,668
Energy Benchmarking	50	50
Ex-Offenders Re-Entry Housing Program	37	37
Homeless Management Information System	100	100
HOPE	500	500
Information Technology	1,352	311
Life Safety Rehabilitation	153	153
Live Where You Work	682	728
MBS Guarantee Program	3,500	-
MBS Mortgage Backed Security Start Up	1,500	-
MONI HIF	672	672
Mortgage Assistance PILOT	750	-
NJHMFA Portion of Undisbursed Mtg. Proceeds	531	543
Non-Bond Multi-Family Program	33,516	34,575
Paragon Village #1316	500	-
PLAN Fund	-	5,000
Policy and Community Initiatives	59	46
Portfolio Reserve Balance	2,295	3,316
Preservation Initiatives	10	10
Project Remediation	675	694
Public Outreach Initiatives	254	200
Sandy Home Buyer Assistance Advance Fund	5,000	-
Shore Easy	80	80
Single Family Counseling	101	110
Small Rental Project Preservation Loan Program	8,118	9,026
Social Investment Policy	250	250
Strategic Zone Lending Pool	11,712	11,501
Transitional Housing Loans	159	388
UHORP HIF	1,104	1,104
UHORP Mortgage Commitment	15,510	14,973
Urban Statewide Acquisition - NJUSA	3,073	3,074
Welcome Home Program	2,029	151
Total	<u>\$ 145,809</u>	<u>\$ 151,423</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 14 – NET POSITION (CONTINUED)

Changes in net position are summarized as follows:

	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net position at December 31, 2012, as previously stated	\$ 10,041	\$ 393,164	\$ 503,602	\$ 906,807
Cumulative effect of change in accounting principle	-	-	(44,511)	(44,511)
Net position at December 31, 2012, as restated	10,041	393,164	459,091	862,296
Income	-	-	(3,790)	(3,790)
Acquisition of capital assets	609	-	(609)	-
Transfer	-	(36,965)	36,965	-
Depreciation on capital assets	(1,000)	-	1,000	-
Net position at December 31, 2013	<u><u>\$ 9,650</u></u>	<u><u>\$ 356,199</u></u>	<u><u>\$ 492,657</u></u>	<u><u>\$ 858,506</u></u>

NOTE 15 – PENSION PLAN

Public Employees Retirement System

The Agency contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B. The plan has a Board of Trustees that is primarily responsible for its administration.

The contribution requirements of plan members are determined by State statute. Effective July 1, 2011, in accordance with Chapter 78, P.L. 2011, the contribution rate increased to 6.5% of annual covered salary for plan members enrolled in the Public Employees' Retirement System with an additional 1% increase to be phased in over the next 7 years bringing the total pension contribution rate to 7.5% of salary by July 1, 2018. At December 31, 2013 the contribution rate is 6.79% of annual salary. The Agency is billed annually for its normal contribution plus any accrued liability.

The Agency's contributions to the plan, equal to the required contributions, were as follows:

<u>Period</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by Agency</u>
Fiscal year ended December 31, 2013	\$ 556	\$ 1,329	\$ 1,885	\$ -	\$ 1,885
Fiscal year ended December 31, 2012	629	1,257	1,886	-	1,886
Fiscal year ended December 31, 2011	692	1,103	1,795	-	1,795

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 15 – PENSION PLAN (CONTINUED)

Early Retirement Incentive Program

The Agency has approved Early Retirement Incentive Programs known as ERI 1 and ERI 3, as permitted by State legislation for certain members of the Public Employees' Retirement System. These members had to meet certain age and service requirements and had to apply for retirement between certain dates. Three (3) employees participated in ERI 1 and fifteen (15) employees participated in ERI 3. The Agency is assessed annually for the actuarially determined contribution to fund this program. The Agency is obligated to make annual installments with each subsequent year payment increasing every year by 4% (ERI 1) and 5.95% for 2006 and 4% beginning in 2007 (ERI 3). Payments for the years ended December 31, 2013, 2012, and 2011, were \$132, \$123, and \$118, respectively.

Installments due by the Agency at December 31, 2013 are as follows:

2014	\$	133
2015		138
2016		144
2017		150
2018		156
2019-2023		802
2024-2028		851
2029-2033		1,035
2034		233
Total	\$	<u>3,642</u>

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

NOTE 16 – POST EMPLOYMENT BENEFITS

The Agency follows the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement establishes guidelines for reporting costs associated with "other post-employment benefits" (OPEB). OPEB costs are actuarially calculated based on plan benefits (other than pensions) that current and retired employees have accrued as a result of their respective years of employment service and to what extent progress is being made in funding the plan.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 – POST EMPLOYMENT BENEFITS (CONTINUED)

The Plan

The Agency is responsible for the cost of health benefits provided to members of PERS who retired from the Agency with 25 years of service along with their spouses, and some dependent children. The plan offers comprehensive benefits through various plan providers consisting of hospital, medical, health, substance abuse and prescription drug programs. The State administers the plan and has the authority to establish and amend certain benefit provisions offered. The State's plan is considered a single employer defined benefit plan, is not a separate entity or trust and does not issue stand-alone financial statements. The Agency, as a participant in the plan, recognizes OPEB expenses on an accrual basis.

Funding Policy

On June 28, 2011 the State of New Jersey Legislature passed Pension and Health Benefits Reform. This legislation requires all employees to contribute a certain percentage of their health benefit premiums towards the cost of their coverage. The percentage is tiered based on coverage type and salary. The percentages will be phased in over 4 years with the full amount becoming effective July 1, 2014. The percentages for 2011 range from 1% - 8.75% of the insurance premium based on salary, with a minimum of 1.5% of salary to be contributed. The Agency implemented this plan in October 2011, and prior to that as of July 1, 2008 current employees contributed 1.5% of their salary toward medical benefits. During the years ended December 31, 2013 and 2012, the Agency paid \$3,063 and \$3,105, respectively, in health insurance premiums for current employees. The Agency also paid \$1,014 and \$803 for the years ended December 31, 2013 and 2012, respectively, towards benefits for 76 and 66 eligible retired members. Retired employees who are eligible for Medicare are also reimbursed for their portion of Medicare insurance premiums on a pay-as-you-go basis.

The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. The Agency has elected to amortize the UAAL over one year. The Agency's annual OPEB cost for the years ended December 31, 2013 and 2012 and the related information for the plan are as follows (dollar amounts in thousands):

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 60,194	\$ 52,533
Interest on net OPEB obligation	1,808	1,921
Adjustment to ARC	<u>(53,538)</u>	<u>(49,947)</u>
Annual OPEB cost	8,464	4,507
Contributions made	<u>(979)</u>	<u>(803)</u>
Increase in net OPEB obligation	7,485	3,704
Net OPEB obligation, beginning of year	<u>51,730</u>	<u>48,026</u>
Net OPEB obligation, end of year	<u><u>\$ 59,215</u></u>	<u><u>\$ 51,730</u></u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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NOTE 16 – POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy (continued)

The Plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012 and 2011 were as follows (dollar amounts in thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 8,464	11.5%	\$ 59,215
December 31, 2012	4,507	17.8%	51,730
December 31, 2011	14,910	4.9%	48,026

The actuarial accrued liability for benefits was \$56,411 at January 1, 2013, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$16,625 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 339.3%.

The actuarial valuation date is January 1, 2013. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the January 1, 2013 actuarial valuation, the projected unit credit cost method was used with the unfunded liability immediately recognized. The actuarial assumptions included a 3.50% discount rate and an annual healthcare cost trend rate based on the Society of Actuaries – Getzen Model version 12.2 with some adjustments to the baseline assumptions and for administrative costs and reflective of the Excise Tax (Cadillac Tax) beginning in 2018 due to healthcare reform. The trend rates for pre and post age 65 participants are 7.4% for both 2013 and 2012 grading to 4.9% and 5.4% by 2052, respectively.

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NOTE 17 – DEFERRED COMPENSATION ACCOUNT

The Agency offers its employees a choice of two Deferred Compensation Plans in accordance with Internal Revenue Code Section 457. The Plans, available to all full time employees at their option, permit employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Agency or its creditors.

NOTE 18 – RESERVE FOR INTEREST REBATE

The Tax Reform Act of 1986 placed restrictions on the investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined as ending on the anniversary date of the bond settlement.

The Agency has various issues of bonds outstanding (see Note 9), which also had various settlement dates. Rebate calculations on these bonds are required to be made at least once every five years. However, the Agency prepares annual rebate calculations for purposes of determining any contingent liability for rebate.

The Agency has elected to establish a reserve account in the amount of \$616 and \$739 for the years ended December 31, 2013 and 2012, respectively for the Multi-Family Bond Resolution Fund and \$0 at December 31, 2013 and 2012 for the Single-Family Bond Resolution Fund in case a rebate may be required as the result of the occurrence of future events.

NOTE 19 – DERIVATIVE INSTRUMENTS

The Agency has several variable rate bond series currently outstanding. In order to protect against the potential of rising interest rates, the Agency entered into various pay-fixed, receive-variable interest rate swaps at a cost anticipated to be less than what the Agency would have paid to issue fixed-rate debt. The notional principal of the swaps in some cases initially increase as the borrowed funds are anticipated to be loaned out. The Agency also entered into various interest rate cap agreements that were anticipated to effectively limit the Agency's interest rate exposure during the period before the swaps fully hedge the exposure. As of December 31, 2013, all interest rate cap agreements have expired. For footnote purposes, the fair values of the Agency's derivatives have been presented.

For each of the interest rate swaps, the Agency used one of the following methods to evaluate the hedge effectiveness of the potential hedging derivative instrument: consistent critical terms method, synthetic instrument method or regression analysis method. The consistent critical terms method evaluates effectiveness by qualitative consideration of the uniformity of the significant terms of the hedgeable item with the terms of the potential hedging derivative instrument. If the relevant terms match, or in certain instances are similar, the potential hedging derivative instrument is determined to be effective. The synthetic instrument method evaluates effectiveness by combining the cash flows on the derivative with the cash flows on the hedged item to create a new instrument. The synthetic rate on the cash flows is calculated

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
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December 31, 2013

NOTE 19 – DERIVATIVE INSTRUMENTS (CONTINUED)

based on the combination of all the cash flows and is compared against the fixed rate on the derivative. A potential hedging derivative instrument is effective if the actual synthetic rate is within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument to be substantially fixed. The regression analysis method examines the statistical relationship between changes in the fair values or cash flows of a hedged item and its associated potential hedging derivative. For a potential hedging derivative instrument evaluated using regression analysis to be considered effective for financial reporting purposes, the analysis should produce an R-squared of at least 0.80, an F-statistic that indicates statistical significance at the 95 percent confidence level, and a regression coefficient for the slope between -1.25 and -0.80.

Terms, Fair Values and Credit Risk

As of December 31, 2013, the Agency determined that a portion of the MHRB 2013-5 Multi-Family Bond Component Swap listed as an investment derivative instrument in the chart below no longer met the criteria for effectiveness. Accordingly, the fair value of the swap of \$(326) is reported within the investment revenue classification for the year ended December 31, 2013. The Agency also determined that a portion of the MRB 2007-G Multi-Family Bond Component Swap listed as an investment derivative instrument in the chart below no longer met the criteria for effectiveness. Accordingly, the fair value of the swap of \$(944) is reported within the investment revenue classification for the year ended December 31, 2013.

At December 31, 2013, all single family derivatives and all multi-family derivatives, except MRB 2007-G and MHRB 2013-5, met the criteria for effectiveness.

The terms and fair values of the outstanding swaps as of December 31, 2013, are summarized in the table below. The swaps are utilized to hedge the risk from the associated variable rate debt. The Agency's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category. The Agency pays a fixed interest rate on the notional amount that represents the principal amount of the related bonds. The Agency receives either 1-month LIBOR times the notional amount for the taxable borrowings, or a percentage of 1-month LIBOR plus a fixed spread or The Securities Industry and Financial Markets Association Municipal Swap (SIFMA) Index times the notional amount for the tax-exempt borrowings from the counterparty, plus a fixed spread as applicable, as listed below. Where possible, only the net difference will be exchanged with the counterparty and the Agency continues to pay interest to the certificate-holders at the variable rate provided on the bonds. The purpose of the swap is to mitigate interest rate risk. The Agency will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated.

The following tables present both the hedging derivative value and the off market loan balances for Single Family and Multi-Family Bond Component Swaps at December 31, 2013. This presentation has no effect on the net position of the Agency.

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NOTE 19 – DERIVATIVE INSTRUMENTS (CONTINUED)

Single Family Bond Component Swaps

Associated Bond Issue	Hedged Variable Rate Bonds Outstanding	Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Hedging Derivative Value	Off Market Loan Balance	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)
SHRB* 2004 I-1	\$ 18,925	\$ 21,125	8/5/2004	4/1/2025	4.145%	68.2% of 1-Mo LIBOR + 27bp	\$ (696)	\$ (655)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+
SHRB* 2005 N	15,615	15,615	10/1/2006	10/1/2017	4.055%	68% of 1-Mo LIBOR or SIFMA + 1bp**	(1,399)	(16)	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+
SHRB* 2005 P/Q/R	47,365	27,875	11/1/2006	4/1/2038	4.797%	USD-SIFMA Municipal Swap Index	(2,283)	(105)	The Bank of New York Mellon Goldman Sachs Mitsui Marine	Aa2 / AA- / AA-
SHRB* 2005 P/Q/R	-	17,990	4/1/2007	4/1/2038	3.927%	68% of 1-Mo LIBOR + 18bp	(1,523)	(55)	Derivative Products, L.P.	Aa2 / AAA / NR
SHRB* 2007 V	96,375	96,375	11/8/2007	10/1/2037	4.060%	69% of 1-Mo LIBOR	(8,115)	(392)	Royal Bank of Canada, New York	Aa3/AA-/AA
SHRB* 2008 BB	79,085	79,085	3/1/2009	10/1/2039	3.504%	68% of 1-Mo LIBOR	(6,595)	(317)	The Bank of New York Mellon	Aa2 / AA- / AA-
SHRB* 2008 Y	78,130	78,130	5/1/2008	10/1/2039	3.757%	69% of 1-Mo LIBOR	(5,093)	(420)	The Bank of New York Mellon Goldman Sachs Mitsui Marine	Aa2 / AA- / AA-
SHRB* 2008 Z-1	37,580	13,565	5/1/2008	10/1/2023	3.893%	67% of 1-Mo LIBOR + 16 bp	(589)	(287)	Derivative Products, L.P.	Aa2 / AAA / NR
SHRB* 2008 Z-2	-	2,840	10/1/2008	10/1/2034	4.025%	69% of 1-Mo LIBOR	(54)	(12)	Bank of America, N.A.	A2 / A / A
	<u>\$ 373,075</u>	<u>\$ 352,600</u>					<u>\$ (26,347) ¹</u>	<u>\$ (2,259) ¹</u>		

* Single-Family Housing Revenue Bonds

** If the weighted average of weekly one-month LIBOR rates are equal to or greater than 3.50%, then the variable rate received will be 68% of the USD-LIBOR-BBA; otherwise the variable rate received will be SIFMA + 1bp

Derivative instrument $\sum 1 =$ (28,606)

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NOTE 19 – DERIVATIVE INSTRUMENTS (CONTINUED)

Multi-Family Bond Component Swaps											
	Hedged Variable Rate Bonds Outstanding	Swap Notional Amount	Swap Effective Date	Swap Termination Date	Fixed Rate Paid	Variable Rate Received	Hedging Derivative Value	Off Market Loan Balance	Counterparty	Counterparty Credit Rating (Moody's/S&P/Fitch)	
Cash Flow Hedges:											
MHRB* 2002-G	\$ 4,140	\$ 4,140	10/2/2002	5/1/2025	6.2450%	1-Mo LIBOR	\$ (958) ^{1,4}	\$ (4) ²	Merrill Lynch Capital Services, Inc. (MLCS)	Baa2 / A- / A	
MHRB 2013-5	126,605	44,095	11/1/2002	5/1/2029	4.9888%	USD-SIFMA Municipal Swap Index	2,205 ^{1,4}	(11,046) ²	Merrill Lynch Capital Services, Inc. (MLCS)	Baa2 / A- / A	
MHRB 2013-5	-	25,250	11/1/2003	5/1/2033	4.3355%	USD-SIFMA Municipal Swap Index	1,675 ^{1,4}	(5,491) ²	Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aa2 / AAA / NR	
MHRB 2013-5	-	57,260	5/1/2005	11/1/2046	4.0010%	67% of 1-Mo LIBOR + 18bp	3,537 ^{1,4}	(13,034) ²	Bank of America, N.A.	A2 / A / A	
MHRB 2013-6	17,055	7,980	5/8/2003	5/1/2035	5.2810%	1-Mo LIBOR	647 ^{1,4}	(1,721) ²	Bank of America, N.A.	A2 / A / A	
MHRB 2013-6	-	8,930	5/1/2004	11/1/2037	5.3150%	1-Mo LIBOR	773 ^{1,4}	(2,412) ²	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+	
MRB** 2005-F	10,985	10,630	8/10/2005	5/1/2040	4.2190%	USD-SIFMA Municipal Swap Index + 5bp	(665) ²	(34) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2005-G	4,465	4,655	11/1/2006	11/1/2047	5.4830%	1-Mo LIBOR	(494) ²	(19) ²	Bank of America, N.A.	A2 / A / A	
MRB 2006-A	18,660	18,660	3/15/2006	5/1/2028	3.7150%	63% of 1-Mo LIBOR + 20.5 bp	(1,356) ²	(45) ²	Royal Bank of Canada, New York	Aa3 / AA- / AA	
MRB 2006 B	5,675	5,675	3/15/2006	5/1/2028	5.4220%	1-Mo LIBOR	(608) ²	(12) ²	Bank of America, N.A.	A2 / A / A	
MRB 2007-G	12,895	12,895	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(1,383) ²	(56) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2007-I	6,725	6,725	11/1/2007	5/1/2029	5.9100%	1-Mo LIBOR	(1,085) ²	(15) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2008-B	55,200	61,060	8/21/2008	5/1/2048	4.6330%	USD-SIFMA Municipal Swap Index	(7,029) ²	(399) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2008-B-HMFA #2190 - Royal Crescent	-	3,420	10/1/2008	11/1/2038	4.4950%	USD-SIFMA Municipal Swap Index + 33bp	(404) ²	-	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2008-B-HMFA #1426 - Heritage Village at Manalapan	-	2,840	1/1/2009	11/1/2038	4.4500%	USD-SIFMA Municipal Swap Index + 33bp	(324) ²	-	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2008-C	10,030	7,450	11/1/2008	5/1/2040	5.7120%	1-Mo LIBOR	(1,141) ²	(30) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2008-C- HMFA #2265 - Sharp Road	-	2,560	10/1/2009	11/1/2039	6.1460%	1-Mo LIBOR + 80bp	(522) ²	-	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2008-F	96,025	11,900	5/1/2006	11/1/2039	4.3900%	USD-SIFMA Municipal Swap Index	(652) ²	(695) ²	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+	
MRB 2008-F	-	27,450	2/10/2005	11/1/2029	3.4080%	67% of 1-Mo LIBOR + 18bp	(788) ²	-	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2008-F	-	30,855	11/1/2006	5/1/2046	4.0493%	60.8% of 1-Mo LIBOR + 34bp	(2,375) ²	(2,124) ²	Bank of America, N.A.	A2 / A / A	
MRB 2008-F	-	13,700	10/30/2007	5/1/2042	4.6120%	USD-SIFMA Municipal Swap Index + 5bp	(427) ²	(222) ²	Merrill Lynch Capital Services, Inc. (MLCS)	Baa2 / A- / A	
MRB 2008-G	14,395	3,950	11/1/2005	5/1/2036	5.4350%	1-Mo LIBOR	(563) ²	-	JPMorgan Chase Bank, N.A.	Aa3 / A+ / A+	
MRB 2008-G	-	3,300	11/1/2008	11/1/2038	5.6025%	1-Mo LIBOR	(475) ²	(239) ²	Bank of America, N.A.	A2 / A / A	
MRB 2008-G	-	7,150	10/30/2007	11/1/2039	5.8715%	1-Mo LIBOR	(354) ²	(338) ²	Bank of America, N.A.	A2 / A / A	
MRB 2009D HMFA 1437	18,095	1,420	8/1/2008	11/1/2038	5.5660%	1-Mo LIBOR + 25bp	(38) ²	(266) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2009D HMFA 1352	-	7,865	11/1/2008	11/1/2038	5.5160%	1-Mo LIBOR + 25bp	(204) ²	(1,448) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2009D HMFA 2101	-	1,500	5/1/2009	5/1/2039	5.8570%	1-Mo LIBOR + 40bp	(39) ²	(300) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2009D HMFA 2171	-	1,425	8/1/2009	11/1/2047	5.8860%	1-Mo LIBOR + 40bp	(17) ²	(291) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
MRB 2009D HMFA 2272	-	3,825	9/1/2009	11/1/2039	5.3420%	1-Mo LIBOR + 25bp	(95) ²	(577) ²	Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
	<u>\$ 400,950</u>	<u>\$ 398,565</u>					<u>\$ (13,159)</u>	<u>\$ (40,818)</u>			
Investment Derivatives:											
MHRB 2013-5	-	33,330	5/1/2005	11/1/2046	4.0010%	67% of 1-Mo LIBOR + 18bp	\$ (326) ¹		Bank of America, N.A.	A2 / A / A	
MRB 2007-G	-	8,800	11/1/2007	5/1/2034	4.0100%	63% of 1-Mo LIBOR + 20.5 bp	(944) ³		Wells Fargo Bank, N.A.	Aa3 / AA- / AA-	
		<u>\$ 42,130</u>					<u>\$ (1,270)</u>				

* Multi-Family Housing Revenue Bonds

** Multi-Family Revenue Bonds

Σ 1 =	Derivative instrument	7,553
Σ 2 =	Accumulated decrease in fair value of hedging derivative	(61,856)
Σ 2,3 =	Derivative instrument	(62,800)
Σ 4 =	Accumulated increase in fair value of hedging derivative	7,879

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NOTE 19 – DERIVATIVE INSTRUMENTS (CONTINUED)

Credit Risk

The aggregate notional outstanding of hedging derivative instrument positions at December 31, 2013 was \$793,295. This portfolio of derivative instruments is used to hedge \$774,025 of variable rate debt as of December 31, 2013.

The swap agreements contain varying collateral agreements with the counterparties. At any point in time in which the outstanding swaps have positive fair values, each swap counterparty is required to post collateral to a third party when their credit rating, as determined by the specified nationally recognized credit rating agencies, falls below a trigger level as defined in the swap agreements. This protects the agency by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps is to be in the form of U.S. government securities held by a third-party custodian.

Basis Risk

Basis risk exists to the extent the Agency's variable-rate bond coupon payments do not exactly equal the index on the swap. The Agency's tax-exempt bonds are hedged with tax-exempt SIFMA based swaps and percentage of LIBOR swaps. The Agency's taxable bonds are hedged with taxable, LIBOR-based swaps. In this way, basis risk should be minimized.

Interest Rate Risk

The Agency's interest rate swaps serve to guard against a rise in variable interest rates associated with its outstanding variable rate bonds. In addition, certain bond proceeds are invested in variable rate Guaranteed Investment Contracts (GICs) or other variable rate investment obligations in order to further mitigate interest rate risk on the variable rate bonds.

The Agency is invested in a pay-fixed, receive-variable interest rate swap with a notional amount of \$8,800 and \$9,145 at December 31, 2013 and 2012, respectively. The Agency makes semiannual fixed payments to the counterparty of 4.01 percent and receives variable payments based on 63 percent of LIBOR, plus 20.5 basis points. This interest rate swap was executed in November 2007 and matures in May 2034. At December 31, 2013 and 2012, this interest rate swap had a fair value of \$(944) and \$(1,387), respectively.

The Agency is invested in a pay-fixed, receive-variable interest rate swap with a notional amount of \$33,330 at December 31, 2013. The Agency makes semiannual fixed payments to the counterparty of 4.001 percent and receives variable payments based on 67 percent of LIBOR, plus 18 basis points. This interest rate swap was executed in May 2005 and matures in November 2046. At December 31, 2013, this interest rate swap had a fair value of \$(326).

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NOTE 19 – DERIVATIVE INSTRUMENTS (CONTINUED)

Termination Risk

The Agency retains the right to terminate any swap agreement at the market value prior to maturity, and the Agency was granted the right to cancel certain agreements, in whole or in part, at Par. The Agency has termination risk under the contract particularly if an Additional Termination Event (ATE) as defined in the swap documents were to occur. An ATE occurs if either the credit rating of the bonds associated with a specific swap, or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. The Agency has purchased termination payment insurance on certain swap contracts, which acts as a buffer against a portion of potential termination payments if an ATE was to occur. As long as the swap insurer maintains at least a minimal rating as defined in the swap documents, the insurance policy will allow the Agency to avoid termination due to a decline in the credit rating of the agency bonds. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

NOTE 20 – INTERFUND RECEIVABLES AND PAYABLES

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund services are provided or reimbursement occurs, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund receivable	
General Fund	\$ 4,845
Total interfund receivable	\$ 4,845
Interfund payable	
Single-Family Mortgage Component	\$ 1,734
Multi-Family Housing Component	3,111
Total interfund payable	\$ 4,845

NOTE 21 – COMMITMENTS AND CONTINGENCIES

On March 15, 1994, the Agency entered into an Advances, Collateral Pledge and Security Agreement (the Agreement) with the Federal Home Loan Bank of New York. As of December 31, 2013, the available line of credit was \$3,579 and had \$6,675 aggregate amount outstanding which was comprised of four (4) separate fixed rate amortizing advances. Repayments on the advances vary with remaining periods amortizing over 3 years to 26 years, payable monthly at rates ranging from 4.88% to 6.57%. The Agency has pledged mortgages receivable totaling \$12,876 as collateral for this line of credit.

The Agency is a defendant in various legal actions arising in the ordinary course of business. The Agency is represented in these actions by the Attorney General of the State of New Jersey, acting as general counsel to the Agency, and by counsel to the Agency's various insurers. In the opinion of management and legal counsel, the ultimate disposition of these legal actions will not have a material adverse effect on the Agency's financial position.

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NOTE 22 – SUBSEQUENT EVENTS

In January 2014, Moody's maintained its Aa2 rating with a negative outlook on the Single Family Housing Revenue Bonds resolution.

The Agency solicited offers to purchase Paragon Village, a multi family REO property, from qualified owner-operators in the 4th quarter of 2013 pursuant to a Request for Offer to Purchase (RFOTP). The RFOTP produced six qualified offers received in February 2014. Agency staff is currently in later-stage negotiations with four of the original six bidding entities, and expects to receive fair market value for Paragon Village in 2014.

In March 2014, the Agency renewed/extended \$77.4 million SF Standby Bond Purchase Agreement (SBPA) liquidity facility with Barclays Bank PLC for a period of two (2) years.

In March 2014, the Agency was approved by the Government National Mortgage Association (Ginnie Mae) to be an Issuer of Ginnie Mae I and II single family mortgage-backed securities (MBS). This MBS platform along with the implementation of a SF whole-loan sale operation will afford the Agency with additional SF loan funding mechanisms to complement its traditional Mortgage Revenue Bond (MRB) financing program.

In May 2014, Standard & Poor's affirmed its 'AA-' long-term rating and underlying rating on the 1995 Multifamily Housing Revenue Bond Resolution.

In June 2014, the Agency plans to issue approximately \$77.5 million of new money Multi-Family Revenue Bonds to finance 18 rental housing developments containing a total of 1,076 multifamily units.

NOTE 23 – PENDING GASB PRONOUNCEMENTS

The Agency will be required to implement GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* for the period ending December 31, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement is not expected to have an impact on the Agency as it does not include the financial report of a pension plan in its financial statements.

The Agency will be required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the period ending December 31, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The Agency is currently evaluating the effect of the implementation of this Statement.

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 23 – PENDING GASB PRONOUNCEMENTS (CONTINUED)

The Agency will be required to implement GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* for the period ending December 31, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is not expected to have an impact on the Agency.

The Agency will be required to implement GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* for the period ending December 31, 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Agency is currently evaluating the effect of the implementation of this Statement.

REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF FUNDING PROGRESS - OPEB
As of December 31, 2013
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL Ratio (b-a)	Funded Payroll (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
January 1, 2009	-	\$ 29,199	\$ 29,199	0.00%	\$ 18,466	158.10%
January 1, 2011	-	45,393	45,393	0.00%	18,209	249.30%
January 1, 2013	-	56,411	56,411	0.00%	16,625	339.30%

SUPPLEMENTARY INFORMATION

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – SINGLE-FAMILY HOUSING PROGRAM
December 31, 2013
(In Thousands)

	FY 2013			Restated
	Housing Revenue Bond Resolution	Home Mortgage Bonds	Total	2012 Total
ASSETS				
CURRENT ASSETS				
Restricted cash and cash equivalents	\$ 55,450	\$ 18,538	\$ 73,988	\$ 209,969
Accrued interest receivable on investments	365	2	367	585
Mortgage loans receivable, net	21,427	10,086	31,513	30,627
Due from loan servicers and insurers	2,003	720	2,723	3,356
Other current assets	19,426	2,908	22,334	-
Total current assets	<u>98,671</u>	<u>32,254</u>	<u>130,925</u>	<u>244,537</u>
NONCURRENT ASSETS				
Restricted investments	38,073	-	38,073	59,407
Mortgage loans receivable, net	764,920	434,635	1,199,555	1,252,119
Debt service arrears receivable, net	11,604	4,849	16,453	16,959
Supplemental mortgages and other loans, net	7,598	5,167	12,765	16,110
Real estate owned	3,626	1,034	4,660	18,955
Total noncurrent assets	<u>825,821</u>	<u>445,685</u>	<u>1,271,506</u>	<u>1,363,550</u>
TOTAL ASSETS	<u>924,492</u>	<u>477,939</u>	<u>1,402,431</u>	<u>1,608,087</u>
DEFERRED OUTFLOW OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	<u>28,606</u>	<u>-</u>	<u>28,606</u>	<u>48,975</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Bonds and obligations, net	\$ 22,275	\$ 11,890	\$ 34,165	\$ 33,630
Accrued interest payable on bonds and obligations	8,605	3,996	12,601	14,793
Interfund allocation	1,734	-	1,734	2,033
Other current liabilities	<u>3,970</u>	<u>441</u>	<u>4,411</u>	<u>4,193</u>
Total current liabilities	<u>36,584</u>	<u>16,327</u>	<u>52,911</u>	<u>54,649</u>
NONCURRENT LIABILITIES				
Bonds and obligations, net	785,851	461,711	1,247,562	1,413,179
Derivative instrument	<u>28,606</u>	<u>-</u>	<u>28,606</u>	<u>48,975</u>
Total non-current liabilities	<u>814,457</u>	<u>461,711</u>	<u>1,276,168</u>	<u>1,462,154</u>
Total liabilities	<u>851,041</u>	<u>478,038</u>	<u>1,329,079</u>	<u>1,516,803</u>
DEFERRED INFLOWS OF RESOURCES				
Commitment fees	<u>998</u>	<u>129</u>	<u>1,127</u>	<u>-</u>
NET POSITION				
Restricted under bond and obligation resolutions	<u>101,059</u>	<u>(228)</u>	<u>100,831</u>	<u>140,259</u>
TOTAL NET POSITION	<u>\$ 101,059</u>	<u>\$ (228)</u>	<u>\$ 100,831</u>	<u>\$ 140,259</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
SINGLE-FAMILY HOUSING PROGRAM
Year Ended December 31, 2013
(In Thousands)

	FY 2013			Restated
	Housing	Home		2012
	Revenue Bond	Mortgage	Total	Total
	Resolution	Bonds		
OPERATING REVENUES				
Interest income on mortgages loans	\$ 44,408	\$ 21,266	\$ 65,674	\$ 71,158
Other income, net	24	94	118	86
Total operating revenues	<u>44,432</u>	<u>21,360</u>	<u>65,792</u>	<u>71,244</u>
OPERATING EXPENSES				
Interest and amortization of bond prem/disc	42,247	16,160	58,407	74,320
Servicing fees and other	2,558	1,632	4,190	27,791
Salaries and related benefits	2,164	-	2,164	3,246
Professional services and financing costs	1,187	1,661	2,848	924
General and administrative expenses	1,020	35	1,055	836
Provision for loan losses	22,931	11,582	34,513	(5,337)
Total operating expenses	<u>72,107</u>	<u>31,070</u>	<u>103,177</u>	<u>101,780</u>
Operating income (loss)	<u>(27,675)</u>	<u>(9,710)</u>	<u>(37,385)</u>	<u>(30,536)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,837	65	1,902	3,830
Gain (loss) on sale of real estate owned	(1,189)	(86)	(1,275)	(1,563)
Loss on early extinguishment of old debt	-	-	-	(474)
Total nonoperating revenues (expenses), net	<u>648</u>	<u>(21)</u>	<u>627</u>	<u>1,793</u>
Income (loss) before transfers	<u>(27,027)</u>	<u>(9,731)</u>	<u>(36,758)</u>	<u>(28,743)</u>
Transfers	<u>(2,694)</u>	<u>24</u>	<u>(2,670)</u>	<u>1</u>
INCREASE (DECREASE) IN NET POSITION	<u>(29,721)</u>	<u>(9,707)</u>	<u>(39,428)</u>	<u>(28,742)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>130,780</u>	<u>9,479</u>	<u>140,259</u>	<u>169,001</u>
NET POSITION, END OF YEAR, AS RESTATED	<u>\$ 101,059</u>	<u>\$ (228)</u>	<u>\$ 100,831</u>	<u>\$ 140,259</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF NET POSITION – MULTI-FAMILY HOUSING PROGRAM
December 31, 2013
(In Thousands)

	FY 2013					Restated
	General					2012
	Housing Loan					
	Bond Funds	1991-I	1995	2005	Total	Total
ASSETS						
CURRENT ASSETS						
Restricted cash and cash equivalents	\$ 8,049	\$ 211	\$ 105,427	\$ 50,897	\$ 164,584	\$ 92,285
Restricted investments	16,070	-	-	37,967	54,037	15,329
Accrued interest receivable on investments	-	49	461	398	908	987
Mortgage loans receivable, net	2,527	3,641	18,487	33,467	58,122	76,351
Supplemental mortgages and other loans, net	-	-	-	-	-	96
Other assets	-	-	13	44	57	140
Total current assets	<u>26,646</u>	<u>3,901</u>	<u>124,388</u>	<u>122,773</u>	<u>277,708</u>	<u>185,188</u>
NONCURRENT ASSETS						
Restricted investments	-	7,104	50,302	25,952	83,358	133,637
Mortgage loans receivable, net	7,420	91,892	351,110	432,450	882,872	929,991
Debt service arrears receivable, net	9	-	1,673	126	1,808	1,790
Supplemental mortgages and other loans, net	-	-	9,643	37,047	46,690	48,247
Real estate owned	-	-	47,385	-	47,385	47,386
Derivative instrument	-	-	7,553	-	7,553	-
Due from component units	-	(3)	-	126	123	123
Total noncurrent assets	<u>7,429</u>	<u>98,993</u>	<u>467,666</u>	<u>495,701</u>	<u>1,069,789</u>	<u>1,161,174</u>
TOTAL ASSETS	<u>34,075</u>	<u>102,894</u>	<u>592,054</u>	<u>618,474</u>	<u>1,347,497</u>	<u>1,346,362</u>
DEFERRED OUTFLOW OF RESOURCES						
Accumulated decrease in fair value of hedging derivatives	-	-	33,708	28,148	61,856	95,300
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Bonds and obligations, net	\$ 3,650	\$ 3,605	\$ 11,375	\$ 41,740	\$ 60,370	\$ 66,955
Accrued interest payable on bonds and obligations	154	1,187	1,727	3,742	6,810	9,195
Mortgagor escrow deposits	2,775	-	-	-	2,775	4,094
Interfund allocation	151	-	1,658	1,302	3,111	3,657
Other current liabilities	-	-	40	39	79	355
Total current liabilities	<u>6,730</u>	<u>4,792</u>	<u>14,800</u>	<u>46,823</u>	<u>73,145</u>	<u>84,256</u>
NONCURRENT LIABILITIES						
Bonds and obligations, net	13,960	98,195	411,655	472,629	996,439	1,047,286
Minimum escrow requirement	296	-	3,983	3,579	7,858	8,774
Funds held in trust for mortgagor	7,947	-	4,203	28,200	40,350	39,226
Other noncurrent liabilities	-	-	613	677	1,290	2,115
Derivative instrument	-	-	33,708	29,092	62,800	-
Due to other funds	-	-	-	-	-	889
Total noncurrent liabilities	<u>22,203</u>	<u>98,195</u>	<u>454,162</u>	<u>534,177</u>	<u>1,108,737</u>	<u>1,098,290</u>
Total liabilities	<u>28,933</u>	<u>102,987</u>	<u>468,962</u>	<u>581,000</u>	<u>1,181,882</u>	<u>1,182,546</u>
DEFERRED INFLOW OF RESOURCES						
Accumulated increase in fair value of hedging derivatives	-	-	7,879	-	7,879	95,300
NET POSITION (DEFICIT)						
Unrestricted deficit	-	-	-	-	-	-
Restricted under bond and obligation resolutions	<u>5,142</u>	<u>(93)</u>	<u>148,921</u>	<u>65,622</u>	<u>219,592</u>	<u>163,816</u>
TOTAL NET POSITION	<u>\$ 5,142</u>	<u>\$ (93)</u>	<u>\$ 148,921</u>	<u>\$ 65,622</u>	<u>\$ 219,592</u>	<u>\$ 163,816</u>

NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
MULTI-FAMILY HOUSING PROGRAM
Year Ended June 30, 2013
(In Thousands)

	FY 2013					Restated
	General					2012
	Housing Loan					
	Bond Funds	1991-I	1995	2005	Total	Total
OPERATING REVENUES						
Interest income on mortgages loans	\$ 1,077	\$ 6,808	\$ 12,452	\$ 29,687	\$ 50,024	\$ 70,150
Fees and charges	1,110	135	3,518	3,439	8,202	7,257
Recovery of bad debt	-	-	72,138	-	72,138	47,385
Other income - net	38	-	84	1,588	1,710	1,443
Total operating revenues	2,225	6,943	88,192	34,714	132,074	126,235
OPERATING EXPENSES						
Interest and amortization of bond premium/discounts	1,081	7,264	21,226	27,260	56,831	78,203
Insurance costs	-	-	118	185	303	486
Servicing fees and other	-	270	-	-	270	270
Salaries and related benefits	-	-	2,018	1,578	3,596	5,010
Professional services and financing costs	53	4	2,558	389	3,004	945
General and administrative expenses	-	-	942	739	1,681	1,237
Gain / loss on derivative	-	-	326	(444)	(118)	-
Provision for loan losses	(1,909)	-	12,382	6,608	17,081	28,027
Total operating expenses	(775)	7,538	39,570	36,315	82,648	114,178
Operating income (loss)	3,000	(595)	48,622	(1,601)	49,426	12,057
NONOPERATING REVENUES (EXPENSES)						
Investment income	6	663	3,331	2,447	6,447	6,435
Loss on early extinguishment of old debt	-	-	-	-	-	(89)
Total nonoperating revenues (expenses), net	6	663	3,331	2,447	6,447	6,346
Income (loss) before transfers	3,006	68	51,953	846	55,873	18,403
TRANSFERS	-	-	24	(121)	(97)	(843)
INCREASE IN NET POSITION	3,006	68	51,977	725	55,776	17,560
NET POSITION, BEGINNING OF YEAR, AS RESTATED	2,136	(161)	96,944	64,897	163,816	146,256
NET POSITION, END OF YEAR, AS RESTATED	\$ 5,142	\$ (93)	\$ 148,921	\$ 65,622	\$ 219,592	\$ 163,816