



NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

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Independent Auditors' Report

The Board of Trustees
New Jersey City University:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of New Jersey City University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of New Jersey City University as of June 30, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 through 12 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.

KPMG LLP

October 16, 2012

NEW JERSEY CITY UNIVERSITY
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Management's Discussion and Analysis

June 30, 2012 and 2011

Introduction

This section of New Jersey City University's (the University) financial statements presents management's discussion and analysis of the financial performance and condition for the years ended June 30, 2012 and 2011, and comparative amounts for the year ended June 30, 2010. This section is designed to assist readers in understanding the accompanying financial statements, and therefore, should be read in conjunction with the financial statements and the related footnote disclosures.

University Overview

Since its charter by the New Jersey Legislature in 1927, the University continues to evolve as a reputable institution of higher learning. Although the University was founded as a teacher training institution, its subsequent dynamic growth has been based on its energetic and creative response to public demands for new educational programs. While the University's location in the urban center of northeastern New Jersey provides students with the varied cultural and intellectual stimulation of a city, the campus has retained a quiet atmosphere for study, and a size conducive to a strong relationship between students and faculty which enhances learning. More than 40 degree programs are currently offered at the University. In addition, graduate and teacher certification programs are also available for Professional Securities Studies, Business Administration, Fire Science, and Health Sciences. These are among the newer offerings that have been added to the traditional programs of study in the liberal arts. During the summer of fiscal year 2009 the University also began offering an undergraduate accelerated nursing program. The University's student body is drawn from a broad population base which includes the high school graduate pursuing a four-year degree sequence, as well as nontraditional students. These nontraditional students include the older student, the part-time student, and the working student, all of whom are able to avail themselves of flexible class scheduling.

The New Jersey City University Foundation, Inc. (the Foundation) was established as a nonprofit corporation to provide an independent instrument to raise and control funds from donors other than the State, with its primary purpose to support and mission of the University. The Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is exempt from both federal and State taxes. Because the Foundation's resources have historically only been used for the benefit of the University, the Foundation is considered a component unit and is discretely presented in the University's financial statements.

Financial Statements

The University's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities requiring that financial statements be presented with the focus placed on the University as a whole. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, establishes criteria for assessing whether certain organizations should be reported as a component unit of the financial reporting entity and has resulted in the inclusion of the Foundation in the University's financial statements.

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Statement of Net Assets

The Statement of Net Assets presents the University's financial position at the end of the fiscal year. Assets, excluding capital assets, are generally carried at estimated fair value. Capital assets are carried at cost and are depreciated over their respective useful life. Assets are classified as current and noncurrent. Current assets are those assets considered to be convertible to cash within one year. The University's current assets consist primarily of cash, short-term investments, including the State of New Jersey Cash Management Fund, deposits held with bond trustees, and student and grants receivables. The University's noncurrent assets consist primarily of capital assets and the noncurrent portion of deposits held with bond trustees and long term investments.

Liabilities are also classified as current and noncurrent. Current liabilities are those liabilities due and anticipated to be paid within the upcoming fiscal year. The University's current liabilities consist primarily of trade accounts payable, accrued benefits, and the current portion of long-term debt, while noncurrent liabilities consist primarily of the noncurrent portion of bonds payable and other long term debt.

Net assets are the residual interest in the University's assets after the liabilities are deducted. Net assets are classified into three categories: net assets invested in capital assets, net of related debt; expendable restricted net assets; and unrestricted net assets. The first category, net assets invested in capital assets, net of related debt, reflects the equity in capital assets that the University owns. Expendable restricted net assets are assets that are subject to externally imposed restrictions governing their use, including debt service and other bond covenant requirements and capital grant funds. The final category, unrestricted net assets, is available for the general purpose and/or operational needs of the University.

A summary of the University's assets, liabilities and net assets at June 30, 2012 and 2011, and comparative amounts at June 30, 2010 are as follows:

	2012	2011	2010
		(In millions)	
Assets:			
Current assets	\$ 57.5	33.1	41.3
Noncurrent assets:			
Capital assets	177.5	174.1	170.7
Other assets	33.1	57.0	24.7
Total assets	\$ 268.1	264.2	236.7
Liabilities:			
Current liabilities	\$ 25.6	21.7	21.4
Noncurrent liabilities	142.7	145.5	117.6
Total liabilities	\$ 168.3	167.2	139.0

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Net assets:

Invested in capital assets, net of related debt	\$	56.2	59.9	60.5
Restricted for expendable:				
Renewal and replacement		1.2	1.1	2.8
Debt service reserve		0.7	0.6	1.9
Debt service – principal		2.4	2.3	3.5
Perkins loans		0.2	0.2	0.2
Unrestricted		39.1	32.9	28.8
		<u>99.8</u>	<u>97.0</u>	<u>97.7</u>
Total net assets	\$	<u>99.8</u>	<u>97.0</u>	<u>97.7</u>

Statement of Net Assets – Financial Highlights

As of June 30, 2012, the University's total assets increased by \$3.9 million to \$268.1 million from \$264.2 million as of June 30, 2011. This increase is primarily attributable to increases in several accounts, most notably an increase of \$3.9 million in cash and cash equivalents, \$1.4 million in investments, and \$3.4 million in net capital assets. The \$5.3 million increase in cash and cash equivalents and investments is attributable to the timing of cash receipts and disbursements, and to the additional money market investments purchased during the year. The \$3.4 million increase in net capital assets is attributed to \$1.8 million of fixed asset purchases and \$9.6 million of additions to construction in progress exceeding annual depreciation expense of \$7.4 million. These additions to net capital assets are offset by a \$6.0 million decrease in deposits held with bond trustees resulting from expending construction funds for costs incurred. In addition to cash increases, investments and capital assets, the University's grant and other receivable balances as of June 30, 2012 increased by \$1.5 million as compared to the prior fiscal year. The increase in grant receivables is attributed to the new Federal Department of Education grants that were received during fiscal year 2012 which had receivable balances as of June 30, 2012. The increases in other receivables are due to an increase in A. Harry Moore tuition accounts receivable as of June 30, 2012 compared to the prior fiscal year.

As of June 30, 2011, the University's total assets increased by \$27.5 million to \$264.2 million from \$236.7 million as of June 30, 2010. This increase is primarily attributable to an increases in several accounts, most notably an increase of \$23.1 million in deposits held with bond trustees, \$3.3 million in net capital assets and \$1.2 million in other receivables. The increase in deposits held with bond trustees is primarily due to the addition of two new bonds, 2010F for \$26.3 million and 2010G for \$18.1 million which are offset by the 1999B bond refinance of \$12.2 million. These additions to trust cash are offset by capital drawdowns due to increased capital activity on campus. The increase in net capital assets is attributed to \$10.7 million of additions to construction in progress exceeding annual depreciation expense of \$7.4 million. The increase in other receivables is attributed to the timing and collection of A. Harry Moore and NJ Pathways tuition receivables as of the fiscal year end.

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As of June 30, 2012, the University's total liabilities increased by \$1.1 million to \$168.3 million from \$167.2 million as of June 30, 2011. This increase is primarily attributable to an increase in accounts payable of \$4.0 million offset by a decrease of \$2.8 million in long-term debt due to principal payments made during the year. Due to increased construction activity following the spring semester, the University recognized a higher volume of accounts payable activity prior to the June 30, 2012 year end, as compared to the previous fiscal year. In addition to the change in accounts payable and debt, the University also recognized approximately \$0.1 million change in its other liabilities.

As of June 30, 2011, the University's total liabilities increased by \$28.2 million to \$167.2 million from \$139.0 million as of June 30, 2010. This increase is primarily attributable to an increase in long-term debt of \$26.6 million due to the addition of two new bonds, 2010F for \$24.1 million and 2010G for \$18.3 million which were offset by the \$11.6 million refunding of 1999B bonds. In September 2010, the University issued \$42.4 million in Series 2010 F Revenue Refunding Bonds and Series 2010 G Build America Bonds through the NJEFA to finance the current refunding of all of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 1999B in its entirety, the costs of building and infrastructure needs which were identified as high priority items in the 2009 Deferred Maintenance Study and finance the payment of the costs of issuance of the 2010 F and 2010 G Bonds. The other factors contributing to the increase were accrued interest, vendor accruals and accounts payable and payroll of \$1.6 million.

The University's current ratio measures the institution's ability to satisfy current obligations as they come due. The University's current ratio was 2.2, 1.5, and 1.9 as of June 30, 2012, 2011, and 2010, respectively. The ratio of unrestricted financial resources to operations is a key indicator of financial strength and flexibility to cover operating expenses without relying on generating additional resources. The University's unrestricted financial resource ratio was 28.79%, 24.17%, and 21.99% as of June 30, 2012, 2011, and 2010, respectively.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenue earned and expenses incurred during the fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Assets is categorized into three sections: operating revenues, operating expenses, and net non-operating revenues (expenses). The net difference between operating and non-operating revenues and expenses results in an increase or decrease in the University's net assets. The change in net assets indicates whether the overall financial condition of the University has improved or declined during the year.

Generally, operating revenues are earned in exchange for providing goods or services. Operating revenues of the University consist of net tuition and fees revenue, as well as Federal, State of New Jersey, and local grant revenue. Operating expenses are expenses incurred to produce goods or services in return for operating revenue, as well as expenses incurred to carry out the mission of the University. Non-operating revenue is revenue earned for which goods or services are not provided in exchange for such revenue. The State of New Jersey appropriation and interest income are classified as non-operating revenue for the University. Non-operating expenses consist of interest expense and gifts to the New Jersey City University Foundation. For the year ended

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June 30, 2012, the Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase in net assets of \$2.8 million. The following is the Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2012 and 2011, and comparative amounts for the year ended June 30, 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		(In millions)	
Operating revenues:			
Student revenue (less scholarships)	\$ 56.52	54.37	52.36
Grants and contracts	35.53	33.95	29.31
Other	2.48	2.76	2.91
Total operating revenues	<u>94.53</u>	<u>91.08</u>	<u>84.58</u>
Operating expenses:			
Instruction	56.09	56.37	51.30
Academic support	13.58	13.60	12.30
Student services	14.39	14.10	13.06
Institutional support	22.51	21.26	22.27
Operation and maintenance of plant	14.86	15.63	15.68
Auxiliary enterprises	4.69	4.59	4.70
Student aid	2.39	3.03	3.77
Depreciation	7.36	7.39	7.74
Total operating expenses	<u>135.87</u>	<u>135.97</u>	<u>130.82</u>
Operating loss	<u>(41.34)</u>	<u>(44.89)</u>	<u>(46.24)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	\$ 26.06	27.09	31.42
State of New Jersey fringe benefit appropriations	21.97	21.26	19.90
Investment income	0.38	0.36	0.15
Interest expense	(4.99)	(5.07)	(5.47)
Other nonoperating revenues (expenses)	0.28	(0.01)	(0.37)
Net nonoperating revenues	<u>43.70</u>	<u>43.63</u>	<u>45.63</u>
Capital grants and gifts	<u>0.44</u>	<u>0.54</u>	<u>1.83</u>
Increase (decrease) in net assets	2.80	(0.71)	1.22
Net assets, beginning of year	<u>96.98</u>	<u>97.69</u>	<u>96.47</u>
Net assets, end of year	<u>\$ 99.78</u>	<u>96.98</u>	<u>97.69</u>

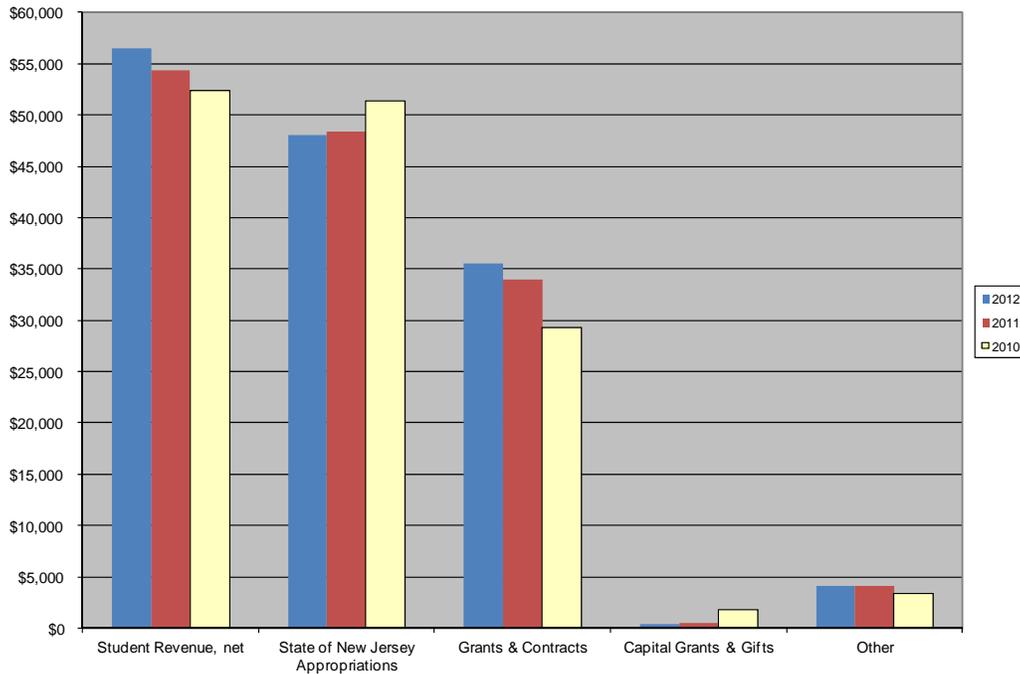
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Financial Highlights – Revenues

The University derives its revenue from a variety of sources. The following is an illustration of revenues by source, both operating and non-operating, which are used to fund the University's activities for the years ended June 30, 2012 and 2011, and comparative amounts for the year ended June 30, 2010 (amounts in thousands):



		2012				
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Capital grants and gifts	Other revenues
Amounts (in thousands)	\$	56,520	48,030	35,529	436	4,119
Percent		39.1%	33.2%	24.6%	0.3%	2.8%

		2011				
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Capital grants and gifts	Other revenues
Amounts (in thousands)	\$	54,372	48,354	33,945	540	4,127
Percent		38.5%	34.2%	24.0%	0.4%	2.9%

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	2010				
	Student revenue, net	State of New Jersey appropriations	Grants and contracts	Capital grants and gifts	Other revenues
Amounts (in thousands)	\$ 52,357	51,329	29,309	1,838	3,351
Percent	37.9%	37.1%	21.2%	1.3%	2.4%

For 2012, 2011, and 2010, State of New Jersey appropriations and student tuition and fees were the primary sources of funding for the University's academic programs. The State of New Jersey appropriations for the fiscal years ending June 30, 2012, 2011, and 2010 were \$48.0 million, \$48.3 million, and \$51.3 million, respectively. The State of New Jersey appropriations continue to be affected by the economic climate in New Jersey. In 2012, the University's base appropriation and salary program funding received from the State did not change. However, the financial statements reflect a \$1.0 million decrease in total appropriation which is attributed to \$1.0 million 2010 appropriation that was remitted to the University during fiscal year 2011. In 2011, the University's base appropriation and salary program funding received from the State decreased by approximately \$3.0 million. In 2010, a total of \$4.1 million of American Recovery and Reinvestment Act funds were appropriated to the University in the form of state appropriations and Tuition Aid Grants (TAG). Additionally, fringe benefits appropriation increased by approximately \$1.4 million.

Total student revenue, net, for fiscal years ending June 30, 2012, 2011, and 2010 were \$56.5 million, \$54.3 million, and \$52.3 million, respectively. This comprised 39.1%, 38.5%, and 37.9% of the revenue received by the University for the fiscal years ending June 30, 2012, 2011, and 2010, respectively. Tuition rates were increased by 4%, 4% and 3% for the academic years beginning in fall 2012, 2011, and 2010, respectively.

For the year ended June 30, 2012, 2011, and 2010, revenues from Federal and State of New Jersey grants were \$35.5 million, \$33.9 million, and \$29.3 million, respectively. The major Federal grant programs include Pell, Increasing the Number of Latinos in Nursing and Health Information Management, and Strengthening Institutions- Hispanic Serving Institutions, among others. Major State of New Jersey grant programs include the Tuition Aid Grant (TAG), Educational Opportunity Fund, and Youth Corps. The University's Pell grant has increased by \$1.3 million, \$2.6 million, and \$4.3 million in fiscal years 2012, 2011, and 2010, respectively. The state TAG grant has increased by \$0.3 million, \$1.7 million, and \$1.9 million in fiscal years 2012, 2011, and 2010, respectively.

Investment income for fiscal years 2012, 2011, and 2010 was \$0.4 million, \$0.4 million, and \$0.2 million, respectively. Investment income has not fluctuated significantly over the past three fiscal years. There were no significant bond maturities in 2012 and 2011.

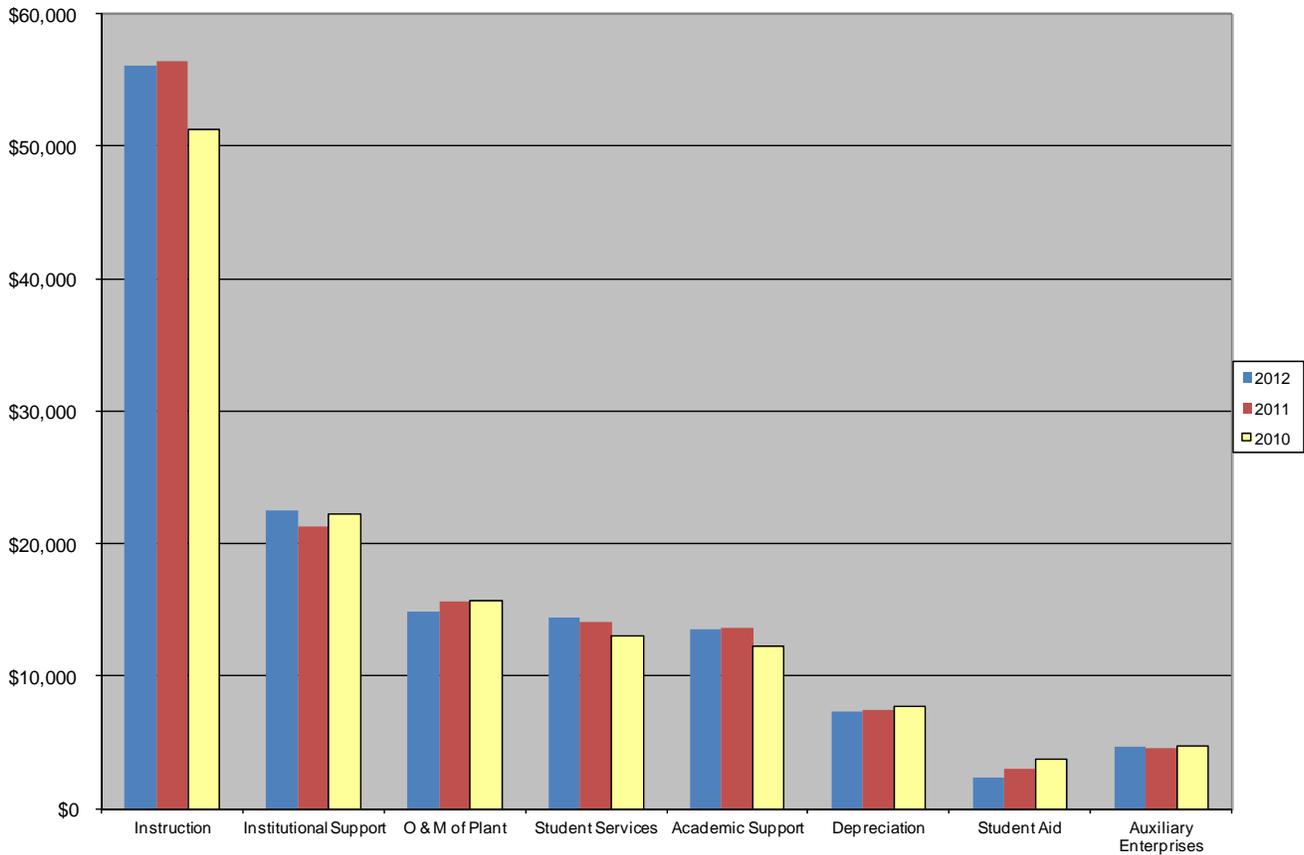
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Financial Highlights – Expenses

The University's total operating expenses decreased \$0.10 million from \$135.97 million for fiscal year 2011 to \$135.87 million for fiscal year 2012. The following is an illustration of operating expenses by functional classification for the operating years ended June 30, 2012 and 2011, and comparative amounts for the year ended June 30, 2010 (amounts in thousands):



		2012							
		Instruction	Institutional support	O & M of plant	Student services	Academic support	Depreciation	Student aid	Auxiliary enterprises
Amounts (in thousands) \$		56,084	22,508	14,863	14,394	13,578	7,362	2,390	4,692
Percent		41.3%	16.5%	10.9%	10.6%	10.0%	5.4%	1.8%	3.5%

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		2011							
		Instruction	Institutional support	O & M of plant	Student services	Academic support	Depreciation	Student aid	Auxiliary enterprises
Amounts (in thousands)	\$	56,373	21,263	15,631	14,100	13,599	7,386	3,035	4,585
		41.5%	15.6%	11.5%	10.4%	10.0%	5.4%	2.2%	3.4%
		2010							
		Instruction	Institutional support	O & M of plant	Student services	Academic support	Depreciation	Student aid	Auxiliary enterprises
Amounts (in thousands)	\$	51,300	22,267	15,682	13,066	12,297	7,743	3,770	4,696
		39.2%	17.0%	12.0%	10.0%	9.4%	5.9%	2.9%	3.6%

Total operating expenses decreased by \$0.10 million and increased by \$5.2 million and \$4.5 million for the years ending June 30, 2012, 2011, and 2010, respectively. In 2012 expenses remained flat compared to the prior year. However, the University did recognize an increase in institutional support of \$1.2 million and a decrease in operation and maintenance of plant. Approximately \$0.6 million of this increase is attributed to student accounts receivable bad debt expense recognized for uncollectible student receivables. The decrease in operation and maintenance of plant is attributed to approximately \$0.6 million of expenses for capital projects that were reflected in operation and maintenance for fiscal year 2011 that were not incurred during fiscal year 2012.

In 2011 and 2010 the largest increase in operating expenses is reflected in the University's instruction expense. This increase is due to increases in salary and benefits for the instructional staff mandated by contractual obligations. In addition, depreciation expense was \$7.4 million for the years ending June 30, 2012 and 2011, and \$7.7 million for the year ending June 30, 2010. The University has adopted a strategy of funding depreciation within its budget process. Budgeted depreciation amounts are used to fund capital expenditures for the fiscal year.

Capital and Debt Activities

The University is committed to the quality and progression of its academic and community programs. This commitment however, must be guided by prudent strategic planning and allocation of resources that provide the greatest benefit for stakeholders. Funding for these projects could come from the State of New Jersey, additional bond issues, and/or private fundraising or grants. As such, the University has made it a priority to set aside funds for capital investments and support for our campus. The result of this prioritization is apparent in our continued expansion and upgrade of resources, such as the West Campus initiative, and the ongoing improvements to capital infrastructure that impacts our community.

Capital additions totaling \$9.6 million in fiscal year 2012 consisted of major Capital Renewal Projects which began in fiscal year 2011. These projects include renovations and improvements to campus buildings and related subsystems. The projects are separated into two phases to work on buildings that require immediate attention first. Phase (I) includes the renovation to the following buildings: Fries Hall, Gilligan Student Union, Professional Studies, Rossey Hall, Science, Visual Arts, and Vodra Hall. Buildings scheduled for Phase (II) renovation include: Facilities and Construction, which also houses the University Secondary Data Center, the Co-op Dormitory, Hepburn Hall, Guarini Library, University Charter High School, John Moore Athletic and Fitness

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Center, and the Karnoutsos Hall. As of June 30, 2012, the University has completed approximately 35% of these improvements.

Technology at the University continues to significantly impact students, faculty, and staff. During the past year capital funding went to support teaching, learning, administration, and communications. This level of support is consistent with the initiatives outlined in the Strategic Plan for Information Technology.

The University continued its Technology Replacement Program to ensure that technology across the campus is current and relevant. In addition, maintenance of the University's enterprise information systems continued with the successful upgrades of the Campus Solutions and Human Resources systems as well as the GothicNet Portal. These initiatives are essential, and they allow continued delivery of quality administrative tools and services to students, faculty, and staff.

University communications were enhanced with the introduction of the new Microsoft Exchange Email system for faculty and staff, and the implementation of Microsoft's Exchange cloud-based email services for students. The new Exchange system provides integrated email access via an Outlook-style web browser, shared calendaring, robust anti-virus and spam filtering, a global address list, and the ability to access email and services from any computer or mobile device with an internet connection.

Moody's Investors Service and Fitch Ratings Services have assigned debt ratings of "A2" and "A", respectively, to the University. Bonds that are rated "A" possess many favorable attributes and are considered upper-medium-grade obligations. Factors providing security to principal and interest are considered adequate, while the resources to absorb future financial challenges are not as strong as Aaa or Aa rated institutions.

Long-term debt totaled \$138.8 million, \$141.6 million, and \$115.0 million at June 30, 2012, 2011, and 2010, respectively. An institution's ratio of unrestricted financial resources to debt is a key indicator of financial strength. The University's ratio was 28%, 23%, and 25% as of June 30, 2012, 2011, and 2010, respectively. Additionally, the University's ratio of debt to total capitalization which is an indication of capacity to support additional debt, at June 30, 2012, 2011, and 2010 was 58%, 59%, and 54%, respectively.

Economic Factors that could affect the Future

NJCU is currently engaged in a new and revised strategic planning process, Vision 2015 and Beyond, centered upon its historic commitment to its educational mission to serve an underserved population of first-generation college students. Fiscal decisions are linked to the strategic planning process and resources are allocated in a manner in which they meet the plan's goals and objectives. Vision 2015 and Beyond is designed to be the institutional vehicle for identifying key strategic goals, objectives, strategies, outcomes, timelines, and resource allocation following a comprehensive and broad-based review of accomplishments and challenges remaining after Vision 2010.

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In fiscal year 2012, total State of New Jersey appropriation to the University is expected to remain unchanged at the fiscal year 2011 level of \$26.056 million. Despite rising operating costs, flat appropriation funding and the resulting need to generate additional revenues, the University maintains its commitment to preserve the integrity of the academic programs and remain among the most affordable State universities. As such, the University is pursuing a balanced approach to aligning revenues with expenses while limiting tuition increase to 4% for fiscal year 2013.

The overall outlook for both graduate and undergraduate enrollment remains stable, with an expected enrollment increase in both groups of students. Although the University produced a balanced budget for the fiscal year, there is still a high degree of uncertainty in the State's financial support to the University due to persistent economic challenges at the State and national levels. The University continues to monitor developments in this area and is prepared to adjust to any significant changes that may impact fiscal operations.

The University continues its efforts to maintain campus buildings and infrastructure. Currently, major projects are under way to complete high priority building and infrastructure projects that are funded via the Facilities Fee and approximately \$30 million in bonds issued through the New Jersey Educational Facilities Authority (NJEFA) in September 2010.

The University's mission and strategic goals are the central drivers of its fiscal planning. State support for ongoing operations remains flat compared to the prior year. Therefore, in view of continued rising costs and competing demands for limited resources, the University's emphasis remains on allocating resources to mission critical initiatives.

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Statements of Net Assets

Business-Type Activities – University Only

June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 7,421,821	3,508,731
Investments, current portion	32,709,672	15,118,940
Student receivables, net of allowance of \$3,808,000 and \$3,365,000 in 2012 and 2011, respectively	2,849,073	2,914,672
Grants receivables	1,905,925	1,076,107
Other receivables	4,221,850	3,571,159
Restricted deposits held with bond trustees	8,342,740	6,872,920
Total current assets	57,451,081	33,062,529
Noncurrent assets:		
Restricted deposits held with bond trustees	26,681,516	34,170,561
Investments, noncurrent portion	3,701,465	19,917,634
Student loans, net of allowance of \$877,000 and \$864,000 in 2012 and 2011, respectively	702,933	683,685
Deferred financing costs, net	2,104,212	2,292,029
Capital assets, net of accumulated depreciation of \$98,639,000 and \$92,055,000 in 2012 and 2011, respectively	177,451,334	174,070,758
Total noncurrent assets	210,641,460	231,134,667
Total assets	268,092,541	264,197,196
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses:		
Vendor	9,767,268	5,792,621
Payroll	3,713,107	3,220,910
Compensated absences, current portion	4,184,769	4,334,382
Accrued interest	3,313,044	3,369,213
Total accounts payable and accrued expenses	20,978,188	16,717,126
Long-term debt, current portion	3,132,459	3,123,751
Deferred student tuition and fees	1,359,010	1,444,627
Deferred grant revenue	130,009	404,694
Total current liabilities	25,599,666	21,690,198
Noncurrent liabilities:		
Long-term debt, noncurrent portion	135,692,886	138,501,477
Other noncurrent liabilities	7,015,568	7,030,401
Total noncurrent liabilities	142,708,454	145,531,878
Total liabilities	168,308,120	167,222,076
Net Assets		
Invested in capital assets, net of related debt	56,215,095	59,885,399
Restricted for:		
Expendable:		
Renewal and replacement	1,221,930	1,086,160
Debt service reserve	658,040	658,040
Debt service – principal	2,365,000	2,290,000
Perkins loans	200,600	187,618
Unrestricted	39,123,756	32,867,903
Total net assets	\$ 99,784,421	96,975,120

See accompanying notes to financial statements.

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
(A Component Unit of New Jersey City University)

Statements of Financial Position

June 30, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 498,021	397,528
Unconditional promises to give, net of unamortized discount	1,318,685	610,329
Contributions receivable, charitable remainder annuity trust	972,838	1,083,691
Other receivables	183,996	25,466
Due from New Jersey City University	244,013	121,202
Investments	5,033,183	4,983,808
Restricted investments	657,528	565,159
Prepaid expenses	27,362	7,117
Gift annuities	188,883	200,206
Other assets	8,694	94,463
Computer equipment, net of accumulated depreciation of \$24,947 and \$22,593 in 2012 and 2011, respectively	32,500	22,420
Total assets	\$ 9,165,703	8,111,389
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 26,960	46,850
Due to New Jersey City University	334,339	320,685
Security deposits	9,686	9,190
Annuities payable	31,411	24,184
Total liabilities	402,396	400,909
Net assets:		
Unrestricted:		
Operating	562,167	524,800
Board designated	397,939	416,375
Computer equipment	32,500	22,420
Total unrestricted net assets	992,606	963,595
Temporarily restricted	5,347,122	4,414,284
Permanently restricted	2,423,579	2,332,601
Total net assets	8,763,307	7,710,480
Total liabilities and net assets	\$ 9,165,703	8,111,389

See accompanying notes to financial statements.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Assets

Business-Type Activities – University Only

Years ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Student revenue:		
Tuition and fees	\$ 80,334,741	76,353,583
Auxiliary enterprises	7,223,849	7,011,627
Less scholarship allowance	(31,038,401)	(28,993,471)
Total student revenue, net	56,520,189	54,371,739
Federal grants	23,246,202	21,725,179
State of New Jersey grants	12,203,300	12,175,037
Private and other grants	79,298	45,073
Other operating revenues	2,485,209	2,762,181
Total operating revenues	94,534,198	91,079,209
Operating expenses:		
Instruction	56,084,313	56,373,299
Academic support	13,577,804	13,599,566
Student services	14,394,492	14,100,473
Institutional support	22,507,631	21,263,025
Operation and maintenance of plant	14,863,152	15,630,814
Auxiliary enterprises	4,691,758	4,585,129
Student aid	2,390,239	3,034,790
Depreciation	7,361,926	7,386,405
Total operating expenses	135,871,315	135,973,501
Operating loss	(41,337,117)	(44,894,292)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	26,056,000	27,090,000
State of New Jersey fringe benefit appropriations	21,973,984	21,264,496
Gifts to affiliates	(929,358)	(873,002)
Investment income	383,323	356,911
Interest expense	(4,986,518)	(5,075,686)
Loss on disposal of capital assets	(37,231)	(137,811)
Other nonoperating income	1,250,208	1,008,369
Net nonoperating revenues	43,710,408	43,633,277
Income (loss) before other revenues	2,373,291	(1,261,015)
Other revenues:		
Capital grants and gifts	436,010	540,038
Increase (decrease) in net assets	2,809,301	(720,977)
Net assets as of beginning of year	96,975,120	97,696,097
Net assets as of end of year	\$ 99,784,421	96,975,120

See accompanying notes to financial statements.

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
(A Component Unit of New Jersey City University)

Statement of Activities
Year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenues:				
Support from public contributions	\$ 375,839	1,427,886	90,978	1,894,703
Development grants and contracts	—	204,743	—	204,743
Contributed services and facilities	929,358	—	—	929,358
Interest and dividend income	388	131,768	—	132,156
Rental income	145,955	—	—	145,955
Special events	42,244	11,613	—	53,857
Other income	640	—	—	640
Fair value adjustment of charitable remainder annuity trust	—	(110,853)	—	(110,853)
Appreciation in fair value of investments	—	46,483	—	46,483
Net assets released from restrictions in satisfaction of program restrictions	778,802	(778,802)	—	—
Total support and revenues	<u>2,273,226</u>	<u>932,838</u>	<u>90,978</u>	<u>3,297,042</u>
Expenses:				
Program services	1,416,601	—	—	1,416,601
Management and general	402,394	—	—	402,394
Fundraising	364,540	—	—	364,540
Special events	60,680	—	—	60,680
Total expenses	<u>2,244,215</u>	<u>—</u>	<u>—</u>	<u>2,244,215</u>
Increase in net assets	29,011	932,838	90,978	1,052,827
Net assets as of beginning of year	963,595	4,414,284	2,332,601	7,710,480
Net assets as of end of year	<u>\$ 992,606</u>	<u>5,347,122</u>	<u>2,423,579</u>	<u>8,763,307</u>

See accompanying notes to financial statements.

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
(A Component Unit of New Jersey City University)

Statement of Activities
Year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenues:				
Support from public contributions	\$ 369,384	270,075	104,364	743,823
Development grants and contracts	—	20,591	—	20,591
Contributed services and facilities	873,502	—	—	873,502
Interest and dividend income	278	129,165	—	129,443
Rental income	152,840	—	—	152,840
Special events	132,168	22,200	3,020	157,388
Other income	67	8,640	—	8,707
Fair value adjustment of charitable remainder annuity trust	—	120,280	—	120,280
Appreciation in fair value of investments	9,640	735,248	—	744,888
Net assets released from restrictions in satisfaction of program restrictions	528,284	(528,284)	—	—
Total support and revenues	<u>2,066,163</u>	<u>777,915</u>	<u>107,384</u>	<u>2,951,462</u>
Expenses:				
Program services	1,252,747	—	—	1,252,747
Management and general	409,383	—	—	409,383
Fundraising	429,855	—	—	429,855
Special events	152,470	—	—	152,470
Total expenses	<u>2,244,455</u>	<u>—</u>	<u>—</u>	<u>2,244,455</u>
(Decrease) increase in net assets	(178,292)	777,915	107,384	707,007
Net assets as of beginning of year	<u>1,141,887</u>	<u>3,636,369</u>	<u>2,225,217</u>	<u>7,003,473</u>
Net assets as of end of year	<u>\$ 963,595</u>	<u>4,414,284</u>	<u>2,332,601</u>	<u>7,710,480</u>

See accompanying notes to financial statements.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities – University Only

Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Student receipts	\$ 50,589,501	48,235,468
Grants and contracts	34,377,113	33,998,930
Payments for salaries and benefits	(84,811,867)	(84,472,033)
Payments to suppliers	(12,026,918)	(13,462,651)
Payments for utilities	(3,328,674)	(4,125,164)
Payments to students	(2,390,239)	(3,034,790)
Loans issued to students	(138,952)	(129,453)
Collection of loans from students	105,740	132,723
Auxiliary enterprises	4,965,713	4,862,526
Other receipts	2,313,844	2,710,072
Net cash used by operating activities	(10,344,739)	(15,284,372)
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	26,056,000	27,090,000
Net cash provided by noncapital financing activities	26,056,000	27,090,000
Cash flows from capital financing activities:		
Proceeds from capital debt	271,070	42,477,951
Defeasement of debt	—	(11,084,100)
Capital grants and gifts	483,194	1,062,286
Purchase of capital assets	(7,844,136)	(9,121,772)
Bond issuance costs	—	(289,559)
Principal paid on capital debt	(3,070,953)	(4,284,824)
Interest paid on capital debt	(6,742,964)	(5,483,515)
Deposits withdrawn from bond trustees	14,633,829	4,588,583
Deposits made with bond trustees	(8,614,605)	(30,739,066)
Net cash used by capital financing activities	(10,884,565)	(12,874,016)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	24,763,214	27,735,193
Purchases of investments	(26,999,500)	(39,059,758)
Interest on investments	1,322,680	1,878,682
Net cash used by investing activities	(913,606)	(9,445,883)
Net increase (decrease) in cash and cash equivalents	3,913,090	(10,514,271)
Cash and cash equivalents as of beginning of year	3,508,731	14,023,002
Cash and cash equivalents as of end of year	\$ 7,421,821	3,508,731
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (41,337,117)	(44,894,292)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Provision for bad debts	1,197,153	630,028
Amortization expense	187,817	192,392
State of New Jersey paid fringe benefits expense	22,130,428	21,382,547
Depreciation expense	7,361,926	7,386,405
Changes in assets and liabilities:		
Receivables	(1,739,663)	(1,224,565)
Other liabilities, current and noncurrent	327,751	362,279
Accounts payable and accrued expenses	1,887,268	982,453
Deferred revenue	(360,302)	(101,619)
Net cash used by operating activities	\$ (10,344,739)	(15,284,372)
Noncash transactions:		
Gifts made	\$ 929,358	873,002
State of New Jersey paid fringe benefits	22,130,428	21,382,547

See accompanying notes to financial statements.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2012 and 2011

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

New Jersey City University (the University), formerly Jersey City State College, is a public institution of higher education in the State of New Jersey (the State). Effective May 29, 1998, the New Jersey Commission on Higher Education approved the name change and university status. Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the University's financial statements are included in the State of New Jersey's Comprehensive Annual Financial Report.

The University, located in Hudson County, is dedicated to urban programs designed to meet the complex economic, social, and educational problems of the "inner" cities of metropolitan New Jersey. The urban mission is unique among the State Colleges and Universities of New Jersey, and in order to strengthen this mission, the University has embarked on a plan designed to make it the premier Cooperative Education University in the State. While the student body is drawn primarily from Northern New Jersey counties, the University also attracts students from as far away as Texas, Nevada, Michigan, California and Colorado. In addition, the University's student population consists of students from over 20 nations through Europe, Asia, Africa and the Americas. The operation and management of the University is vested in its fourteen member board of trustees.

Special features of the campus include the A. Harry Moore Laboratory School for Special Education, the Center for Teaching and Learning, the Small Business Development Center, the Margaret Williams Theater for the Performing Arts, the Black Box Theater, the Small Business Development Incubator, and the University's Jersey City Waterfront Facility. The University's John J. Moore Athletic and Fitness Center has a gymnasium, fitness center, swimming pool, and modern dance studio. The University has 25 art and dance studios, 13 computer labs, 5 auditoriums, and approximately 187 classrooms and laboratories.

(b) Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the University conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. The University's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued solely on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2012 and 2011

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources be classified for accounting and reporting purposes into the following net asset categories.

- *Invested in capital assets, net of related debt:* Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted – expendable:* Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted:* Net assets not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net assets are designated for academic programs, initiatives, and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The University reports as a business type activity, as defined by GASB Statement No. 34. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Use of Estimates

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

Cash and Cash Equivalents

The University classifies resources that are in short-term, highly liquid investments and are readily convertible to known amounts of cash as cash equivalents. These funds mature in three months or less.

The University maintains portions of its cash in two funds, a money market account which permits the overnight sweep of available cash balances directly into a short-term investment, and the State of New Jersey Cash Management Fund wherein amounts also contributed by other state entities are combined into a large scale investment program. Both are interest bearing accounts from which the funds are available upon demand.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2012 and 2011

Investments

Investments are recorded in the financial statements at fair value, which is based on quoted market price. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Changes in fair value (including realized and unrealized gains and losses) are reported in investment income.

Restricted Deposits Held with Bond Trustees

Deposits held with bond trustees are recorded in the financial statements at fair value, which is based at quoted market price and consist of cash and cash equivalents, money market accounts, U.S. Treasury notes and government securities, and the State of New Jersey Cash Management Fund. Deposits held with bond trustees that are externally restricted to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statements of net assets.

Capital Assets

Capital assets are carried at historical cost or if the asset is donated, at fair market value on the date the asset was donated. The costs for replacements are capitalized and the replaced items are retired. Gains or losses resulting from disposal of capital assets are included in nonoperating revenues (expenses). Depreciation is calculated on the straight-line basis over the following estimated useful lives:

Land improvements	10 years
Buildings and building improvements	25 to 50 years
Equipment and other assets	5 to 15 years

The University does not capitalize equipment with a cost less than \$1,000.

Deferred Financing Costs

The University capitalizes costs incurred in connection with its long-term debt and amortizes these costs over the life of the respective obligations.

Revenue Recognition

Revenues from student tuition and fees and auxiliary enterprises are presented net of scholarships applied to student accounts and are recognized in the period earned. Other payments made directly to students are presented as scholarships and are included in operating expenses in the period incurred. Student tuition and fees and deposits collected in advance of the fiscal year are recorded as deferred revenue in the accompanying statements of net assets.

Grant revenue is comprised mainly of funds received from Federal and State of New Jersey sources and is recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants for which

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2012 and 2011

eligibility requirements have not been met under the terms of the agreements are included in deferred revenue in the accompanying statements of net assets.

Revenue from State of New Jersey appropriations is recognized in the fiscal year during which the State of New Jersey appropriates the funds to the University.

Classification of Revenue

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, and (3) most Federal and State grants. Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions or do not result from the receipt or moving of goods and services, such as operating appropriations from the State, investment income, and capital grants and gifts.

Income Taxes

The University is exempt from Federal income taxes under Internal Revenue Code Section 115.

Financial Dependency

Appropriations from the State of New Jersey are the University's largest source of nonoperating revenue. The University is economically dependent on these appropriations to carry on its operations.

(2) Cash and Cash Equivalents and Investments

The University's cash and cash equivalents and investments are subject to various risks. Among these risks are custodial credit risk, concentration of credit risk, credit risk and interest rate risk which are discussed below.

(a) Cash and Cash Equivalents

The carrying amount of cash and cash equivalents as of June 30, 2012 and 2011 was \$7,421,821 and \$3,508,731, respectively, while the amount on deposit with banks was \$8,768,574 and \$5,900,759, respectively.

Custodial credit risk associated with the University's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the University's name. The University's bank deposits as of June 30, 2012 and 2011 were partially insured by Federal Depository Insurance in the amount of \$250,000 respectively. Bank balances in excess of insured amounts of \$8,518,574 in 2012 and \$5,650,759 in 2011, are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

The University participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2012 and 2011

carrying amount and fair value as of June 30, 2012 and 2011 were \$73,639 and \$73,605, respectively. The Cash Management Fund is unrated and consists of underlying investments with maturities of less than a year.

Statutes of the State of New Jersey and Regulations of the State Investment Council authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies, and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes, and mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors.

(b) Investments

Investments consist of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Money market accounts	\$ 20,002,262	—
U.S. Treasury notes	3,001,680	4,027,048
U.S. Government agencies	2,000,052	5,023,179
Corporate notes and bonds	<u>11,407,143</u>	<u>25,986,347</u>
	36,411,137	35,036,574
Less noncurrent portion	<u>(3,701,465)</u>	<u>(19,917,634)</u>
Investments, current portion	<u>\$ 32,709,672</u>	<u>15,118,940</u>

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of June 30, 2012 and 2011, the University's investments are either insured, registered, or held by the University's investment custodian in the University's name.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2012 and 2011

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). As of June 30, 2012 and 2011, the University's investment quality ratings as rated by Moody's were as follows:

Investment type	Quality rating	2012 Amount
U.S. Government agencies	AAA	\$ 2,000,052
Corporate notes and bonds	AA3	3,255,491
Corporate notes and bonds	AA2	3,408,315
Corporate notes and bonds	A3 – A1	4,743,337
		\$ 13,407,195

Investment type	Quality rating	2011 Amount
U.S. Government agencies	AAA	\$ 5,023,179
Corporate notes and bonds	AA3	4,449,865
Corporate notes and bonds	AA2	3,499,576
Corporate notes and bonds	A3 – Baa2	18,036,906
		\$ 31,009,526

Concentration of credit risk is the risk associated with the amount of investments the University has with any one issuer that exceed five percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The University's investment policy provides limitations pertaining to the diversification to avoid undue risk of large losses over long time periods of the investment portfolio. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 10% of total portfolio assets. With respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard and Poor's BBB or Moody's Baa or higher). The University was not subject to concentration of credit risk.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2012 and 2011

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy provides limitations in the maturities of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. Portfolio holdings will be sufficiently liquid to ensure that 5% of the portfolio can be sold on a day's notice with no material impact on fair value. The final maturity of each security within the portfolio will not exceed five years for intermediate investments and thirty years for long-term investments. The following tables summarize investment maturities as of June 30, 2012 and 2011:

<u>Investment type</u>	2012			
	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>
Cash and money market accounts	\$ 20,002,262	20,002,262	—	—
U.S. Treasury notes	3,001,680	3,001,680	—	—
U.S. Government agencies	2,000,052	—	1,000,012	1,000,040
Corporate notes and bonds	11,407,143	9,705,730	1,701,413	—
	<u>\$ 36,411,137</u>	<u>32,709,672</u>	<u>2,701,425</u>	<u>1,000,040</u>

<u>Investment type</u>	2011			
	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>Greater than 2</u>
U.S. Treasury notes	\$ 4,027,048	999,977	3,027,071	—
U.S. Government agencies	5,023,179	1,022,379	2,001,426	1,999,374
Corporate notes and bonds	25,986,347	13,096,584	11,145,607	1,744,156
	<u>\$ 35,036,574</u>	<u>15,118,940</u>	<u>16,174,104</u>	<u>3,743,530</u>

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2012 and 2011

(3) Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees include funds held by The Bank of New York and US Trust under the terms of various long-term debt agreements. Restricted deposits held with bond trustees are carried in the financial statements at fair value and consist of the following:

	2012	2011
Money market accounts	\$ 6,420,724	10,585,500
U.S. Treasury notes and government securities	28,603,532	30,457,981
	35,024,256	41,043,481
Less noncurrent portion	(26,681,516)	(34,170,561)
Restricted deposits held with bond trustees, current portion	\$ 8,342,740	6,872,920

The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the University, and are held by either the counterparty or the counterparty's trust department or agent but not in the University's name. As of June 30, 2012 and 2011, the University's restricted deposits held with bond trustees are invested in money market accounts or U.S. Treasury notes or government securities guaranteed by the U.S. government. As of June 30, 2012 and 2011, the University's deposits held with bond trustees are either insured, registered, or held by the University's investment custodian in the University's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table summarizes debt securities held with bond trustees maturities as of June 30, 2012 and 2011:

Investment type	2012			
	Fair value	Investment maturities		
		(in years)		
	Less than 1	1 to 2	More than 2	
U.S. Treasury notes and government securities	\$ 28,603,532	28,603,532	—	—
	\$ 28,603,532	28,603,532	—	—

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<u>Investment type</u>	<u>2011</u>			
	<u>Fair value</u>	<u>Investment maturities</u>		
		<u>(in years)</u>		
	<u>Less than 1</u>	<u>1 to 2</u>	<u>More than 2</u>	
U.S. Treasury notes and government securities	\$ 30,457,981	30,325,740	132,241	—
	<u>\$ 30,457,981</u>	<u>30,325,740</u>	<u>132,241</u>	<u>—</u>

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2012 and 2011 follows:

	<u>June 30,</u> <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2012</u>
Depreciable assets:				
Land improvements	\$ 824,533	—	—	824,533
Buildings and building improvements	184,479,599	14,215	(31,254)	184,462,560
Equipment and other assets	46,695,283	1,780,795	(790,004)	47,686,074
	<u>231,999,415</u>	<u>1,795,010</u>	<u>(821,258)</u>	<u>232,973,167</u>
Less accumulated depreciation:				
Land improvements	(802,777)	(2,840)	—	(805,617)
Buildings and building improvements	(57,633,009)	(4,118,637)	4,640	(61,747,006)
Equipment and other assets	(33,619,617)	(3,240,449)	773,418	(36,086,648)
	<u>(92,055,403)</u>	<u>(7,361,926)</u>	<u>778,058</u>	<u>(98,639,271)</u>
Total depreciable assets	139,944,012	(5,566,916)	(43,200)	134,333,896
Nondepreciable assets:				
Land	19,573,363	—	—	19,573,363
Construction in progress	14,553,383	9,580,103	(589,411)	23,544,075
	<u>\$ 174,070,758</u>	<u>4,013,187</u>	<u>(632,611)</u>	<u>177,451,334</u>

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	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>
Depreciable assets:				
Land improvements	\$ 824,533	—	—	824,533
Buildings and building improvements	181,577,761	3,080,130	(178,292)	184,479,599
Equipment and other assets	47,355,949	1,381,146	(2,041,812)	46,695,283
	<u>229,758,243</u>	<u>4,461,276</u>	<u>(2,220,104)</u>	<u>231,999,415</u>
Less accumulated depreciation:				
Land improvements	(769,633)	(33,144)	—	(802,777)
Buildings and building improvements	(53,716,133)	(3,990,351)	73,475	(57,633,009)
Equipment and other assets	(32,272,150)	(3,362,910)	2,015,443	(33,619,617)
	<u>(86,757,916)</u>	<u>(7,386,405)</u>	<u>2,088,918</u>	<u>(92,055,403)</u>
Total depreciable assets	143,000,327	(2,925,129)	(131,186)	139,944,012
Nondepreciable assets:				
Land	14,487,818	5,110,545	(25,000)	19,573,363
Construction in progress	13,257,827	10,745,803	(9,450,247)	14,553,383
	<u>\$ 170,745,972</u>	<u>12,931,219</u>	<u>(9,606,433)</u>	<u>174,070,758</u>

Estimated costs to complete the projects classified as construction in progress as of June 30, 2012 approximated \$26.2 million and are anticipated to be funded primarily from bond proceeds, as well as other unrestricted resources. During 2012 and 2011, the University capitalized interest income of \$36,976 and \$15,436, respectively, and interest expense of \$1,732,495 and \$1,430,620, respectively, which is included in construction in progress in the accompanying statements of net assets.

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(5) Long-Term Debt

The University has financed capital assets through various revenue bonds issued by the New Jersey Educational Facilities Authority (NJEFA). Capital assets of approximately \$98.9 million and \$92.0 million as of June 30, 2012 and 2011, respectively, funded by bond proceeds are included in the accompanying statements of net assets. The following obligations to the Authority were outstanding as of June 30, 2012 and 2011:

	<u>Interest rate</u>	<u>2012</u>	<u>2011</u>
Bonds payable:			
New Jersey Educational Facility			
Authority Revenue Bonds:			
Series 2002 A Revenue Bonds, due serially to 2032	3.00 – 5.00%	\$ 1,535,000	1,880,000
Series 2003 B Revenue Bonds, due July 1, 2018	5.45%	1,600,000	1,800,000
Series 2007 F Revenue Refunding Bonds due July 1, 2032	3.00 – 5.00%	17,220,000	17,480,000
Series 2008 E Revenue Refunding Bonds, due July 1, 2035	4.00 – 5.00%	64,165,000	65,650,000
Series 2008 F Revenue Refunding Bonds, due July 1, 2036	6.85%	6,175,000	6,175,000
Series 2010 F Revenue Refunding Bonds, due July 1, 2028	2.00 – 4.00%	24,065,000	24,065,000
Series 2010 G Revenue Refunding Bonds, due July 1, 2040	6.19%	<u>18,310,000</u>	<u>18,310,000</u>
Total bonds payable		<u>\$ 133,070,000</u>	<u>135,360,000</u>

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	<u>Interest rate</u>	<u>2012</u>	<u>2011</u>
Other long term debt:			
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B	4.13 – 5.75%	\$ 3,326,667	3,608,334
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2001 A and B, net of imputed interest of \$89,846 and \$112,307, respectively	5.00%	220,797	275,996
New Jersey Environmental Infrastructure Trust Loan 2005 A	4.00 – 5.00%	635,000	665,000
New Jersey Environmental Infrastructure Fund Loan 2005 A, net of imputed interest of \$524,775 and \$599,293, respectively	—	1,040,422	1,073,415
Various capital lease obligations	5.00%	<u>532,459</u>	<u>642,483</u>
Total other long term debt		<u>5,755,345</u>	<u>6,265,228</u>
Total long term debt		138,825,345	141,625,228
Less noncurrent portion		<u>(135,692,886)</u>	<u>(138,501,477)</u>
Total long term debt, current portion		<u>\$ 3,132,459</u>	<u>3,123,751</u>

Capital Leases

The University has entered into various capital lease purchase agreements for equipment which are principally for the duration of one to five years depending on the application and financial advantage to the University. Such agreements are essential to the normal operation of the University, and it is expected that these arrangements, where applicable, would be renegotiated when financially advantageous. The payments of these agreements include a 5% charge for interest. As of June 30, 2012 and 2011, the net present value of the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments, is \$532,459 and \$642,483, respectively. The fiscal year 2012 and 2011 payments for these capitalized lease obligations were \$381,094 and \$412,131, respectively.

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Future Minimum Payments

The following is a schedule of future minimum principal and interest payments on the University's long-term debt obligations as of June 30, 2012:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2013	\$ 3,132,459	6,607,562	9,740,021
2014	3,399,407	6,482,788	9,882,195
2015	4,767,950	6,351,499	11,119,449
2016	4,938,879	6,191,024	11,129,903
2017	4,994,951	6,005,554	11,000,505
	<u>21,233,646</u>	<u>31,638,427</u>	<u>52,872,073</u>
2013 – 2017 subtotal	21,233,646	31,638,427	52,872,073
2018 – 2022	26,970,193	26,800,974	53,771,167
2023 – 2027	25,123,970	21,047,758	46,171,728
2028 – 2032	27,534,609	15,104,181	42,638,790
2033 – 2037	30,860,000	7,855,927	38,715,927
2038 – 2041	7,102,927	1,118,843	8,221,770
	<u>\$ 138,825,345</u>	<u>103,566,110</u>	<u>242,391,455</u>

(6) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2012 and 2011:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Current portion</u>
Long-term debt	\$ 141,625,228	271,070	(3,070,953)	138,825,345	3,132,459
Other noncurrent liabilities:					
Pollution remediation obligation	4,305,473	—	—	4,305,473	—
U.S. government grants refundable	562,853	38,946	—	601,799	—
Compensated absences	6,496,457	173,938	(377,330)	6,293,065	4,184,769
	<u>152,990,011</u>	<u>483,954</u>	<u>(3,448,283)</u>	<u>150,025,682</u>	<u>7,317,228</u>
Total noncurrent liabilities	<u>\$ 152,990,011</u>	<u>483,954</u>	<u>(3,448,283)</u>	<u>150,025,682</u>	<u>7,317,228</u>

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	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Current portion</u>
Long-term debt	\$ 115,047,101	42,477,951	(15,899,824)	141,625,228	3,123,751
Other noncurrent liabilities:					
Pollution remediation obligation	4,305,473	—	—	4,305,473	—
U.S. government grants refundable	519,983	45,059	(2,189)	562,853	—
Compensated absences	<u>6,481,637</u>	<u>250,284</u>	<u>(235,464)</u>	<u>6,496,457</u>	<u>4,334,382</u>
Total noncurrent liabilities	<u>\$ 126,354,194</u>	<u>42,773,294</u>	<u>(16,137,477)</u>	<u>152,990,011</u>	<u>7,458,133</u>

(7) Pollution Remediation Obligation

In fiscal year 2009, the University adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB Statement No. 49). GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential effects of existing pollution by participating in pollution remediation activities such as site assessments and remediation. Pollution remediation obligations exclude pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset. GASB Statement No. 49 identifies the obligating events, which require the University to estimate the components of the expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability and if appropriate, capitalized when goods and services are acquired.

The University's pollution remediation obligation is related to the land acquired for the future West Side Campus project. The land was acquired with known or suspected pollutants which are required to be remediated in preparing the land for its originally intended purposes. The estimated cost of the pollution remediation obligation was obtained from a third party contractor, inclusive of anticipated additional costs relating to additional time necessary to complete the remediation, changes in regulatory requirements and any unknown conditions.

The financial impact and effect of the adoption of GASB Statement No. 49 was the recognition of a pollution remediation liability of \$4.3 million as of June 30, 2009. The first phase of the pollution remediation efforts was completed during fiscal year 2012. NJCU has retained the services of a Licensed Site Remediation Professional and Construction Management firm to assist in the second phase of the pollution remediation. It was determined that additional outlays of approximately \$11.7 million would be necessary to prepare the land for its originally intended purpose. Management expects to capitalize the estimated outlays to prepare the land for its originally intended purpose as goods and services are acquired. The second phase of the remediation efforts are expected to commence in fiscal year 2013.

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(8) Retirement Plans

Postemployment Benefits Other than Pensions

The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers the employees of New Jersey City University. The employees of New Jersey City University are employees of the State of New Jersey, therefore the other postemployment benefit plans liability was reported by the State of New Jersey.

Pension Plan Descriptions

The University participates in two major retirement plans for its employees – Public Employees’ Retirement System (PERS) and the Alternate Benefit Program (ABP). Enrollment into the pension program is mandatory for all employees. Employees who are retired from another state administered retirement plan are exempt from participation. Under these plans, participants make annual contributions, and the State, in accordance with State statutes, makes employer contributions on behalf of the University for these plans. The University is charged for pension costs through a fringe benefit charge assessed by the State which is included with the State of New Jersey fringe benefits in the accompanying financial statements.

The PERS pension plan is a defined benefit program administered by the State of New Jersey Division of Pensions and Benefits. It was established to provide coverage to all civil service employees of the state or public agencies of the state. PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post retirement healthcare, to substantially all full-time employees of the State or public agency provided the employee is not a member of another State administered retirement system. The ABP pension plan is a defined contribution program administered by the State of New Jersey Division of Pensions and Benefits. The plan allows enrollees to make contributions to the following carriers: Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), ING Aetna Financial Services, AIG Valic, Equitable Life Insurance Company, Hartford, and Travelers.

In addition to the two plans in which the University participates, certain faculty members of the University participate in the Teachers’ Pension and Annuity Fund (TPAF) which is a State of New Jersey cost-sharing contributory defined benefit pension plan with a special funding situation. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage including post retirement healthcare to substantially all full time public school employees in the State of New Jersey. TPAF covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. Each member’s percentage is based on age determined at the effective date of enrollment. In addition, the required contributions are made on the University’s behalf by the State of New Jersey annually at an actuarially determined rate. The University no longer enrolls new employees into the TPAF plan. The State of New Jersey issues a publicly available financial report that includes financial statements and required supplementary information for PERS and TPAF. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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PERS Funding Policy

Employees holding classified positions are enrolled into the PERS pension plan. For permanent employees, PERS enrollment begins after the employees complete their probationary period, which is normally four months. All temporary employees must be enrolled after one year of continuous employment. Currently, PERS members are required to contribute 6.5% and 5.5% of their annual covered salary for the years ended June 30, 2012 and 2011, respectively. This amount changes with negotiations of each new union contract. The State of New Jersey, in accordance with State statutes, makes employer contributions on behalf of the University. The State of New Jersey contribution is based upon annual actuarially determined percentages of total compensation of all active members. The State of New Jersey's annual contribution approximates the actuarially determined pension cost for the year. Employers were not required to contribute in 2012 or 2011 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Alternate Benefit Program Information

Employees enrolled in the ABP pension program are faculty members, administrators, and managers of the University. Enrollment into the pension program begins the first date of hire for all permanent employees. Temporary employees are enrolled after one year of continuous temporary employment. ABP provides the choice of six investment carriers all of which are privately operated defined contribution retirement plans. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility, as well as contributory and noncontributory requirements, is established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Pension and Health Benefits Reform

Pursuant to Chapter 78, P.L. 2011, Pension and Health Benefits Reform, employee pension and health benefit contribution rates will change with the first payroll to be paid on or after October 1, 2011. The Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) employee pension contribution rate will increase from 5.5% to 6.5% of salary. An additional increase will be phased over the next seven years that will bring the total PERS and TPAF employee contribution rate to 7.5% of salary. In addition, pursuant to the major health benefit provisions included in Chapter 78, P.L. 2011, all public employees will be required to contribute a certain percentage of their health benefit premiums. The percentage rate of contribution will be determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a four year period with a minimum contribution required to be at least 1.5% of salary.

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Participating University employees are required to contribute 5% of their base annual salary and may contribute, on a pretax basis, an additional voluntary contribution of salary up to the maximum Federal statutory limit. Employer contributions are 8%. During the years ended June 30, 2012 and 2011, ABP received employer and employee contributions that approximated the following from the University:

	2012	2011
Employer contribution	\$ 3,549,000	3,468,000
Employee contribution	2,218,000	2,167,000
Basis for contributions:		
Participating employee salaries	44,360,000	43,347,000

Employer contributions to ABP are paid by the State of New Jersey and are reflected in the accompanying financial statements as appropriations revenue and as expenses.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees otherwise eligible to enroll in the PERS or TPAF plans after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment, but who earn a salary of at least \$5,000 annually, are eligible to participate in the program.

The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. Information, including distribution options, is available on Prudential's New Jersey Defined Contribution Program Web site. By law (Chapter 103, P.L. 2007), the DCRP member contribution rate is set at 5.5% and the DCRP employer contribution rate has been set at 3% of base salary. During the years ended June 30, 2012 and 2011, DCRP employer and employee contributions were the following:

	2012	2011
Employer contribution	\$ 3,390	—
Employee contribution	6,216	—
Basis for contributions:		
Participating employee salaries	113,015	—

(9) Contingent Liabilities

The University is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the University's financial position.

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(10) State of New Jersey Fringe Benefit Appropriations

The State of New Jersey, through separate appropriations, pays certain fringe benefits. Specifically, there is a current matching portion for the pension contribution for active employees, medical and dental benefits, state taxes, and FICA taxes. For the years ended June 30, 2012 and 2011, such benefits amounted to approximately \$22.0 million and \$21.3 million, respectively, and are included in appropriations revenue and operating expenses by function in the accompanying financial statements.

(11) Compensated Absences

The University recorded a liability for compensated absences in the amount of \$6,293,065 and \$6,496,457 as of June 30, 2012 and 2011, respectively, which is included in compensated absences, current portion and other noncurrent liabilities in the accompanying statements of net assets. The liability is calculated based upon employees' accrued vacation leave, paid leave bank days, and accrued compensation days as of year-end, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick-leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick-leave accumulation at the pay rate in effect at the time of retirement, up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick-leave balances. Prior to 1991, the State reimbursed the University for payments made to retiring employees for accrued sick leave; however, since 1991 the State did not make such reimbursements. The University paid \$171,000 and \$56,000 in sick-leave payments for employees who retired during the years ended June 30, 2012 and 2011, respectively.

(12) Unrestricted Net Assets

As of June 30, 2012, unrestricted net assets consist of funds that have been designated as follows:

Academic and other programs	\$ 37,246,433
Building infrastructure maintenance and capital	<u>1,877,323</u>
	<u>\$ 39,123,756</u>

The net assets reserved for building infrastructure maintenance and capital are the unspent student facility fee revenues. Fiscal year 2012 was the first year the student facility fee was charged. The unrestricted net assets of \$32,867,903 as of June 30, 2011 was designated for academic and other programs.

(13) Student Financial Assistance Programs

The University's students receive support from Federal and State of New Jersey student financial assistance programs.

The University's compliance with the requirements of the Federal student financial assistance programs authorized by Title IV of the U.S. Higher Education Act of 1965, as amended (Title IV Programs), is subject to annual audit by an independent auditor. Such compliance audits are subject to review by the

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U.S. Department of Education. Management is of the opinion that a liability, if any, resulting from compliance audits would not have a material adverse effect on the University's financial position.

(14) New Jersey City University Foundation, Inc.

New Jersey City University Foundation, Inc. (Foundation) is a legally separate tax-exempt component unit of the University with a fiscal year-end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund-raising entity to supplement the resources available to the University. The Foundation's board of directors has 13 members with three of the members representing the University. They are the President, Vice President for Administration and Finance, and Vice President for University Advancement. Although the University does not control the timing or amount of receipts from the Foundation, the resources or the income thereon, the Foundation holdings and investments are used exclusively for the benefit, support, and promotion of the University for its activities. Because the resources held by the Foundation have historically only been used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's basic financial statements.

During the year ended June 30, 2012 and 2011, the Foundation distributed \$778,802 and \$528,284 respectively, to the University in the form of scholarships and program support. The University contributed \$929,358 and \$873,002 in services and facilities for the years ended June 30, 2012 and 2011, respectively.

The Foundation is a private not-for-profit organization that reports under Financial Accounting Standards Board Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from Government Accounting Standards Board. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. Complete financial statements for the Foundation can be obtained from the Controller's Office at 2039 Kennedy Boulevard, Jersey City, New Jersey 07305.

(15) Risk Management

The University is exposed to various risks of loss. The University purchased and funds property and casualty insurances through a joint insurance program with the nine State of New Jersey Public Colleges and Universities. The University's risk management program involves insurance for all property risk in the joint insurance program and all liability risk and employee benefit exposures are self-funded programs maintained and administered by the State of New Jersey (including tort liability, auto liability, trustees and officers liability, workers' compensation, unemployment, temporary and long term disability, unemployment liability, life insurance and employee retirement programs).

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Buildings, plants, and equipment and lost revenue are fully insured on an all risk replacement basis to the extent that losses exceed \$100,000 per occurrence with a per occurrence limit of \$1,000,000,000. Money and securities coverage provides for the actual loss in excess of \$25,000 with a per loss limit of \$5,000,000. The University also maintains a Fine Arts Insurance Policy that insures all permanent fine arts on campus, as well as temporary loan exhibitions that take place in the University art galleries to the extent that losses exceed \$1,000 for each separate occurrence of loss or damage or \$2,500 for outdoor sculptures with a per occurrence limit of \$500,000.

As an instrumentality of the State of New Jersey the liability of the University is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.), and the availability of appropriations. The Tort Claims Act also creates a fund and provides for payment of claims under the Act against the State of New Jersey or against its employees for which the State of New Jersey is obligated to indemnify against tort claims, which arise out of the performance of their duties.

All insurance policies are renewed on an annual basis. All of the State of New Jersey self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.