KPMG

NEW JERSEY CITY UNIVERSITY

(A Component Unit of the State of New Jersey)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

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

Table of Contents

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

Management Discussion and Analysis

June 30, 2005 and 2004

Introduction

This section of the financial statements of the New Jersey City University (the University) presents management's discussion and analysis of the financial performance and condition for the years ended June 30, 2005 and 2004, and comparative amounts for the year ended June 30, 2003. 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 the date of its charter by the New Jersey Legislature in 1927, New Jersey City 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 the Northeast affords students all of 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 thirty degree programs are currently being offered at the University. In addition, graduate programs and teacher certification programs are also available. Computer science, business administration, criminal justice, and health sciences are among some of the newer programs which have joined the traditional programs of study in the liberal arts. The student body of the University is drawn from a broad base of the population and includes the high school graduate pursuing a four-year degree sequences, as well as non-traditional students. These non-traditional 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 non-profit corporation to provide an independent instrument of control of funds, from other than state resources, which support the purposes 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 by or 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 on a basis to focus on the University as a whole. Previously, financial statements focused on the accountability of individual fund groups. 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.

Effective July 1, 2004, the University adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*; this is an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment and deposit risks.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year. All assets, excluding capital assets, are carried at estimated fair market value. Capital assets are carried at cost and are depreciated over their respective useful life. Assets are classified as current and non-current. Current assets are those assets considered to be convertible to cash within one year. Current assets of the University 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.

Liabilities are also classified as current and non-current. Current liabilities are those liabilities due and anticipated to be paid within the upcoming fiscal year. Current liabilities of the University consist primarily of trade accounts payable, accrued benefits, and current portion of 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 to be used for the general purpose or operations of the University.

A summary of the University's assets, liabilities and net assets at June 30, 2005 and 2004, and comparative amounts at June 30, 2003 are as follows:

		2005	2004	2003
			(In millions)	
Assets				
Current assets	$	28.2	25.2	19.8
Noncurrent assets:				
Capital assets		147.5	120.9	93.6
Other assets		57.9	58.8	78.8
Total assets		233.6	204.9	192.2
Liabilities				
Current liabilities		19.8	18.7	16.6
Noncurrent liabilities		123.9	104.1	99.9
Total liabilities		143.7	122.8	116.5
Net Assets				
Invested in capital assets, net of related debt		60.3	51.2	41.6
Restricted for expendable:				
Renewal and replacement		2.9	2.7	2.5
Capital projects		—	—	3.1
Debt service reserve		3.8	3.8	3.8
Debt service - principal		1.7	1.6	1.5
Perkins loans		0.2	0.1	0.1
Unrestricted		21.0	22.7	23.1
Total net assets	$	89.9	82.1	75.7

Statement of Net Assets – Financial Highlights

As of June 30, 2005, the University's total assets increased by $28.7 million to $233.6 million from $204.9 million as of June 30, 2004. This significant increase is primarily attributable to an increase in deposits held with bond trustees in conjunction with the New Jersey Educational Facilities Authority (NJEFA) Series 2005 A bond and an increase in capital assets. In addition to these increases, there was a significant negative fluctuation in the University's cash balance as of June 30, 2005, as compared to June 30, 2004. This decrease in cash is due to capital expenses incurred for capital projects which were drawn down at the end of the fiscal year. These drawdowns were in transit as of June 30, 2005. A corresponding positive fluctuation is included in the current portion of deposits held with bond trustees. Also, during fiscal year 2005, the Black Box Theater and Business Development Incubator projects were completed and placed into service. In addition, there is a significant increase in construction in progress as of June 30, 2005, due to the commencement of construction on a number of significant projects. As of June 30, 2004, the University's total assets increased by $12.7 million to $204.9 million from $192.2 million as of June 30, 2003. This increase was primarily attributed to an increase in construction in progress and capital assets.

As of June 30, 2005, the University's total liabilities increased $20.9 million to $143.7 million from $122.8 million as of June 30, 2004. The major component is an increase to the noncurrent portion of long term debt from the NJEFA Series 2005 A debt issuance for $21.6 million. This increase to the noncurrent portion of long term debt is offset by anticipated fiscal 2006 debt service payments, which are included in the current portion of long term debt as of June 30, 2005. In addition to the NJEFA Series 2005 A debt issuance and current year debt service payments, there was a minimal increase in accounts payable and accrued expenses as of June 30, 2005 due to timing of vendor payments and the year end payroll cycle. As of June 30, 2004, the University's total liabilities increased $6.3 million to $122.8 million from $116.5 million as of June 30, 2003. This increase was attributed to increased vendor payables relating to significant capital projects such as the Black Box Theater and the Business Development Incubator that were in progress as of June 30, 2004.

The current ratio of the University measures the institution's ability to satisfy current obligations as they come due. The University's current ratio was 1.4, 1.3 and 1.2 at June 30, 2005, 2004, and 2003, 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 21%, 22% and 26% at June 30, 2005, 2004 and 2003, 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 nonoperating revenues (expenses). The net difference between these three, 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. Nonoperating revenue is revenue earned for which goods or services were not provided in exchange for such revenue. The State of New Jersey appropriation and interest income are classified as nonoperating revenue of the University. Nonoperating expenses consist of interest expense and gifts to the New Jersey City University Foundation.

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

Management Discussion and Analysis

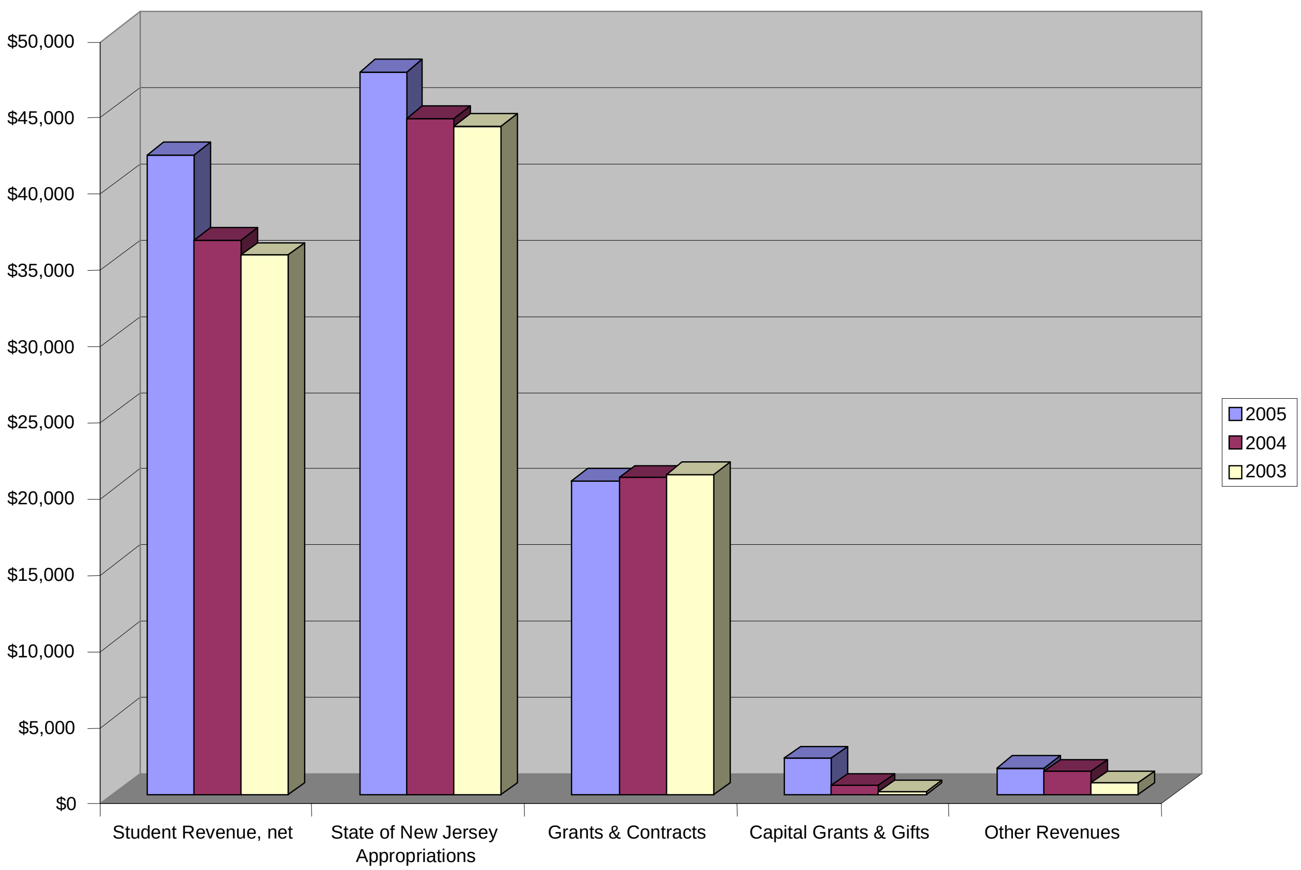
June 30, 2005 and 2004

For the year ended June 30, 2005, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in net assets of $7.8 million. The following is the Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2005 and 2004, and comparative amounts for the year ended June 30, 2003:

		2005	2004	2003
			(In millions)	
Operating revenues:				
Student revenue (less scholarships)	$	42.0	39.4	35.4
Grants and contracts		20.6	20.8	21.0
Other		1.8	1.5	0.8
Total operating revenues		64.4	61.7	57.2
Instruction		42.2	39.9	34.3
Research and programs		—	—	0.2
Public service and enterprise development		0.1	0.3	0.5
Academic support		10.2	9.4	9.4
Student services		12.0	10.3	10.2
Institutional support		17.3	17.0	15.5
Operation and maintenance of plant		11.5	11.4	10.3
Auxiliary enterprises		1.7	2.6	2.3
Student aid		2.6	2.8	2.8
Depreciation		6.3	5.1	5.3
Total operating expenses		103.9	98.8	90.8
Operating loss		(39.5)	(37.1)	(33.6)
Nonoperating revenues (expenses):				
State of New Jersey appropriations		32.1	30.4	30.9
State of New Jersey fringe benefit appropriations		15.3	13.9	12.9
Investment income		1.0	0.2	0.9
Interest expense		(2.9)	(1.5)	(1.8)
Loss on disposal of capital assets		—	—	(0.2)
Other		(0.6)	(0.1)	(0.3)
Net nonoperating revenues		44.9	42.9	42.4
Capital grants and gifts		2.4	0.6	0.2
Increase in net assets		7.8	6.4	9.0
Net assets, beginning of year		82.1	75.7	66.7
Net assets, end of year	$	89.9	82.1	75.7

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 nonoperating, which are used to fund the University's activities for the years ended June 30, 2005 and 2004, and comparative amounts for the year ended June 30, 2003 (amounts in thousands):



2005

	Student Revenue, net	State of New Jersey Appropriations	Grants & Contracts	Capital Grants & Gifts	Other Revenues
Amounts (in thousands)	$ 42,008	47,451	20,606	2,391	1,766
Percent	36.8%	41.5%	18.0%	2.1%	1.5%

2004

	Student Revenue, net	State of New Jersey Appropriations	Grants & Contracts	Capital Grants & Gifts	Other Revenues
Amounts (in thousands)	$ 39,383	44,366	20,828	591	1,546
Percent	36.9%	41.6%	19.5%	0.6%	1.4%

	2003				
	Student Revenue, net	**State of New Jersey Appropriations**	**Grants & Contracts**	**Grants & Gifts**	**Other Revenues**
Amounts (in thousands)	$ 35,441	43,869	21,030	201	798
Percent	35%	43%	21%	0%	1%

For 2005, 2004 and 2003, 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, 2005, 2004 and 2003 were $47.4 million, $44.3 million and $43.8 million, respectively. The State of New Jersey appropriations continue to be affected by the economic climate in New Jersey. With cuts to many state programs, the appropriation has remained flat in 2004 and 2005 with only partial funding of the salary program for wage increases that the University is contractually obligated to meet. Total student revenue, net for fiscal years ending June 30, 2005, 2004 and 2003 were $42.0 million, $39.4 million and $35.4 million, respectively. This comprised 36.8%, 36.9% and 35% of the revenue received by the University for the fiscal years ending June 30, 2005, 2004 and 2003, respectively. Tuition rates were increased by 6.8% for the academic year beginning in fall 2005 and 9.0% for both of the academic years beginning in fall 2004 and 2003.

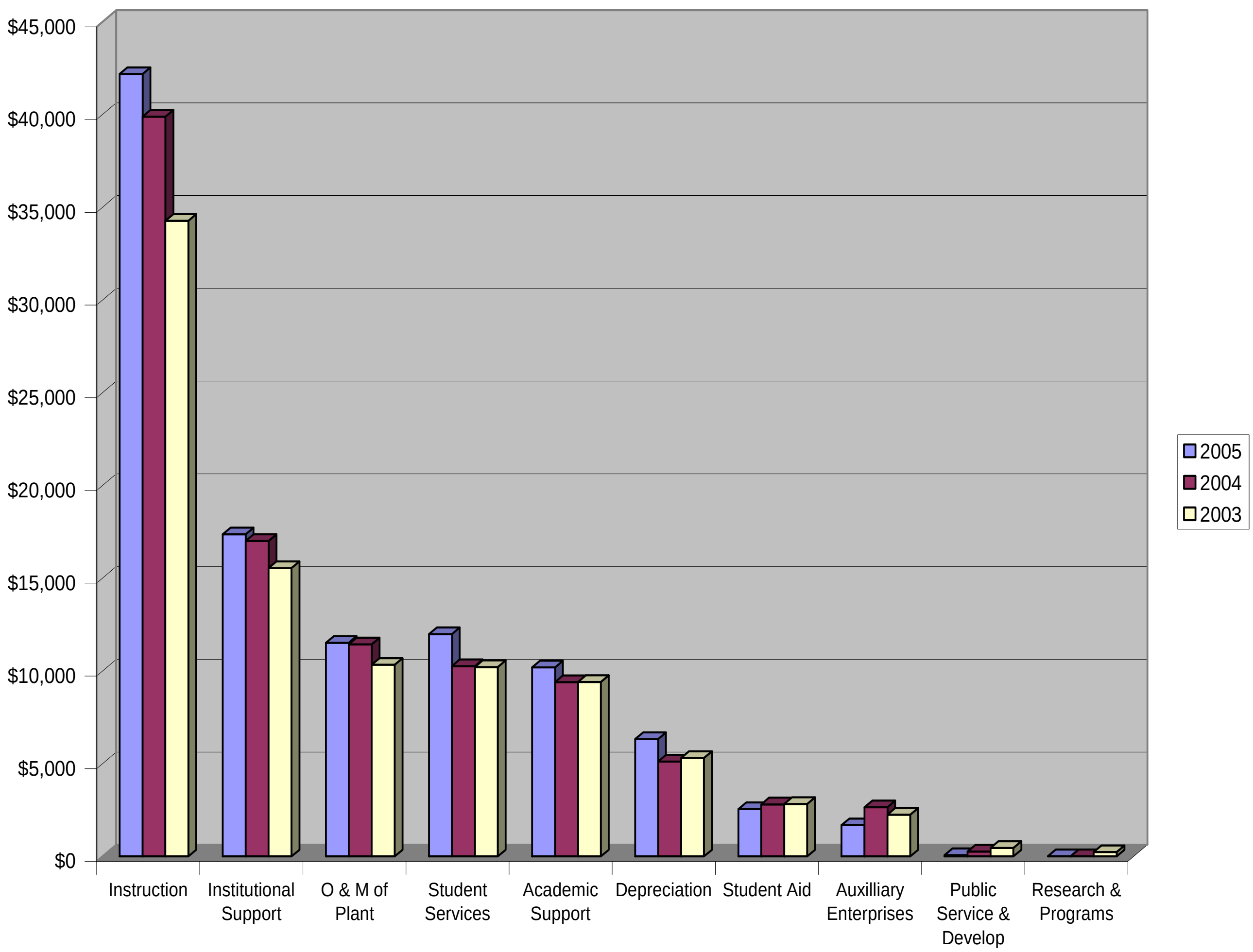
For the year ended June 30, 2005, 2004 and 2003, revenues from Federal and State of New Jersey grants were $20.6 million, $20.8 million and $21.0 million, respectively. The major grant programs and sponsors at the Federal level include Pell, College Work Study, Trio-Upward Bound, Hispanic Serving Institutions – Title V, and Americorps, among others. Major State of New Jersey grant programs include Tuition Aid Grant (TAG), Educational Opportunity Fund, Teacher Preparation Quality & Capacity, GEAR UP, and Youth Corps. Financial aid grants including Pell and TAG increased by $0.5 million, $3.3 million and $2.1 million, for fiscal years ending June 30, 2005, 2004 and 2003, respectively. Such increases have been in proportion to the increase in tuition and fees.

During fiscal year 2005 the University recognized revenue relating to two capital grants totaling $2.3 million. These capital grants were used to finance capital expenditures relating to the completion of the Business Development Incubator.

For the years ended June 30, 2005 and 2004, investment income was $1.0 million and $0.2 million, respectively. The increase in investment income is the result of the improvement in short term rates as well as the increase in bond proceeds deposited with the trustees as a result of the Series 2005 A bond financing. For the years ended June 30, 2004 and 2003 investment income was $0.2 million and $0.9 million, respectively, primarily from short-to-intermediate term fixed income investments and investments of bond proceeds deposited with the trustees. The investment income decline from fiscal year 2003 was primarily due to the decline in short term interest rates.

Financial Highlights - Expenses

For the year ended June 30, 2005, the University's total operating expenses increased $5.1 million to $103.9 million from $98.8 million for the year ended June 30, 2004. The following is an illustration of operating expenses by functional classification for the operating years ended June 30, 2005 and 2004, and comparative amounts for the year ended June 30, 2003 (amounts in thousands):



2005

	Instruction	Institutional Support	O & M of Plant	Student Services	Academic Support	Depreciation	Student Aid	Auxiliary Enterprises	Public Service & Development	Research & Programs
Amounts (in thousands)	$ 42,181	17,368	11,514	11,990	10,199	6,331	2,558	1,680	72	8
Percent	40.6%	16.7%	11.1%	11.5%	9.8%	6.1%	2.5%	1.6%	0.1%	0.0%

2004

	Instruction	Institutional Support	O & M of Plant	Student Services	Academic Support	Depreciation	Student Aid	Auxiliary Enterprises	Public Service & Development	Research & Programs
Amounts (in thousands)	$ 39,887	17,007	11,431	10,259	9,393	5,120	2,806	2,645	256	8
Percent	40.3%	17.2%	11.6%	10.4%	9.5%	5.2%	2.8%	2.7%	0.3%	0.0%

2003

	Instruction	Institutional Support	O & M of Plant	Student Services	Academic Support	Depreciation	Student Aid	Auxiliary Enterprises	Public Service & Development	Research & Programs
Amounts (in thousands)	$ 34,263	15,546	10,328	10,204	9,403	5,307	2,834	2,251	457	239
Percent	37.7%	17.1%	11.4%	11.2%	10.4%	5.8%	3.1%	2.5%	0.5%	0.3%

Total operating expenses increased by $5.1 million and $8.0 million for the years ended June 30, 2005 and 2004, respectively. These increases were primarily due to increases in salaries, benefits, utilities and the restoration of various expense lines that were frozen during the prior year. Total accumulated depreciation at June 30, 2005 and 2004 was $56.7 million and $50.6 million and depreciation expense was $6.3 million and $5.1 million, respectively. The University has adopted a strategy of funding depreciation within its budget process.

Capital and Debt Activities

One of the critical factors in continuing the quality of the University's academic and community programs is the development and renewal of its capital assets. The University continues to implement its long-range plan to renovate older facilities, balanced with new construction, acquisition of adjacent properties and development of the surrounding community.

Capital additions totaling $33.0 million in fiscal year 2005 consisted of demolition fees and architect and engineering fees relating to the development of the West Campus Property, and the completion of the Business Development Incubator and Black Box Theater. During fiscal year 2005, renovations of the Gilligan Student Union Building began. In addition, costs associated with the new construction of the Arts and Science Building were incurred. Capital additions totaling $32.4 million in fiscal year 2004 consisted of the acquisition of the Baldwin Steel Property which is the future site of the West Campus Property, demolition of

Fries Hall, preliminary costs associated with renovation of the Gilligan Student Union Building, completion of the Charter School, the upgrade of the fire safety control panels, the implementation of the Campus Card program, as well as various department renovations. Capital additions totaling $21.5 million in fiscal year 2003 consisted primarily of replacement, renovation, and new construction of academic and administrative facilities, as well as investments in equipment, including information technology.

Current year capital asset additions were funded with tax-exempt debt, taxable debt, grants, gifts, as well as funds from current operations. In January 2005, the University issued $21.6 million in Series 2005 A revenue bonds through the New Jersey Educational Facilities Authority (NJEFA) to finance capital projects such as the Gilligan Student Union Building Renovations, Campus Roadway Upgrade, Cogeneration Plant, and Information Technology Equipment. In May 2003, the University issued $50.2 million in Series 2003 A & B revenue bonds through the NJEFA to finance the new Arts & Sciences Tower, the Charter High School, the Business Incubator, the Student Union Building Renovation, and other projects including improvements to the fire sprinkler system, parking facilities, and various renovations.

With regard to future capital needs beyond the projects underway, the University is engaged in an ongoing facility planning process to assure that it has an appropriate and well-maintained campus. Approximately $90 million in additional facility projects have been identified to meet the needs of the University including a performing arts center, additional student housing, transportation facilities expansion, development of the West Side campus, and the Science Center renovation and expansion, among other projects. Funding for these projects could come from the State of New Jersey, additional bond issues, and/or private fundraising and grants.

Moody’s Investors Service and Standard & Poor’s Ratings Services have assigned debt ratings of “A3” 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 principle 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 $124.1 million, $104.7 million and $100.4 million for the years ended June 30, 2005, 2004 and 2003, respectively. An institution’s ratio of unrestricted financial resources to debt is a key indicator of financial strength. The University’s ratio was 16.9%, 21.7% and 23.0% at June 30, 2005, 2004 and 2003, respectively. Additionally, the University’s ratio of debt to total capitalization which is an indication of capacity to support additional debt for fiscal years ending June 30, 2005, 2004 and 2003 was 57.0%, 56.0% and 57.0%, respectively.

Economic Factors that could affect the Future

Looking toward the future, management believes that the University will be able to maintain its financial condition and continue to provide a high level of service to its students, the surrounding community and the State of New Jersey.

With approximately 41.5% and 41.6% of revenues coming from State of New Jersey appropriations in the fiscal year ending June 30, 2005 and 2004, respectively, the financial condition of the University is closely linked to that of the State of New Jersey. The state continues to face a budget crisis which may result in potential cuts to many state programs, the possibility of reductions in property tax relief, as well as reduced appropriations for the University. Reduced appropriations will place a significant burden on tuition and fees to fund the operating costs of the University. Level funding of the appropriation also represents a decrease to the University as costs continue to rise. Union contracts for the next several years commit the University to costs which are only partially reimbursed by the State and therefore must be absorbed.

Tuition increases for 2005 and 2004 were 6.8% and 9.0%, respectively. With changing demographics and persistent economic weakness, the outlook for enrollment continues to remain stable. This fall total enrollment was 8,093 compared to 7,990 last year. The University is committed to remaining the most affordable of all the four year state colleges and universities in New Jersey. Fiscal planning for the University is linked to its strategic plan which allocates its scarce resources in order to fulfill its mission of being the best urban university in the United States. However, any future reduction in appropriations may result in higher tuition increases and further cost containment policies will need to be initiated.

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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, 2005 and 2004, 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 did not audit the financial statements of New Jersey City University Foundation, Inc., a component unit of New Jersey City University. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for New Jersey City University Foundation, Inc., is based solely on the report of the other auditors.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of the other auditors, 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, 2005 and 2004, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

November 7, 2005

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

Statements of Net Assets

June 30, 2005 and 2004

Assets		**2005**	**2004**
Current assets:			
Cash and cash equivalents	$	548,980	7,952,703
Investments, current portion		6,318,629	7,398,311
Student receivables, net of allowance of $1,358,000 and $1,094,000 in 2005 and 2004, respectively		1,744,184	1,297,181
Grants receivables		3,577,799	1,848,694
Other receivables		5,505,078	3,206,095
Deposits held with bond trustees		10,501,956	3,466,708
Other current assets		52,374	2,950
Total current assets		28,249,000	25,172,642
Noncurrent assets:			
Deposits held with bond trustees		44,280,162	47,115,201
Investments, noncurrent portion		10,966,024	9,516,876
Student loans, net of allowance of $623,000 and $616,000 in 2005 and 2004, respectively		727,422	770,506
Deferred financing costs, net		1,892,262	1,517,326
Capital assets, net of accumulated depreciation of $56,685,000 and $50,629,000 in 2005 and 2004, respectively		147,518,777	120,855,251
Total noncurrent assets		205,384,647	179,775,160
Total assets		233,633,647	204,947,802
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses:			
Vendor		8,398,437	8,172,007
Payroll		4,116,927	3,566,488
Compensated absences, current portion		1,714,449	1,704,800
Accrued interest		1,178,293	1,259,719
Total accounts payable and accrued expenses		15,408,106	14,703,014
Long term debt, current portion		2,490,194	2,123,537
Deferred student tuition and fees		1,501,217	1,561,431
Deferred grant revenue		386,224	292,136
Total current liabilities		19,785,741	18,680,118
Noncurrent liabilities:			
Long term debt, noncurrent portion		121,623,459	102,543,317
Other noncurrent liabilities		2,314,007	1,602,847
Total noncurrent liabilities		123,937,466	104,146,164
Total liabilities		143,723,207	122,826,282
Net Assets			
Invested in capital assets, net of related debt		60,256,862	51,249,331
Restricted for:			
Expendable:			
Renewal and replacement		2,921,540	2,710,770
Debt service reserve		3,812,214	3,814,213
Debt service – principal		1,664,898	1,591,767
Perkins loans		222,360	63,471
Unrestricted		21,032,566	22,691,968
Total net assets	$	89,910,440	82,121,520

See accompanying notes to financial statements.

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

Statements of Financial Position

June 30, 2005 and 2004

Assets		**2005**	**2004**
Cash and cash equivalents	$	1,887,797	308,709
Investments		3,144,539	3,254,876
Prepaid event expenses, net of advance payments of $0 and $25,000 in 2005 and 2004, respectively		—	11,500
Other receivables		30,126	59,584
Unconditional promises to give, net of unamortized discount		702,395	704,621
Contribution receivable, charitable remainder annuity trust		1,334,093	—
Computer equipment, net of accumulated depreciation $4,400 and $0 in 2005 and 2004, respectively		17,600	22,000
Total assets	$	7,116,550	4,361,290
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	219,270	134,284
Note payable, related party		390,000	—
Total liabilities		609,270	134,284
Net assets:			
Unrestricted:			
Operating		2,037,301	1,487,218
Board designated		243,897	119,638
Fixed assets		17,600	22,000
Total unrestricted net assets		2,298,798	1,628,856
Donor restricted:			
Temporarily		2,509,754	1,025,294
Permanently		1,698,728	1,572,856
Total net assets		6,507,280	4,227,006
Total liabilities and net assets	$	7,116,550	4,361,290

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

Years ended June 30, 2005 and 2004

		2005	2004
Operating revenues:			
Student revenue:			
Tuition and fees	$	51,576,513	49,191,496
Auxiliary enterprises		5,246,800	4,683,828
Less scholarship allowance		(14,815,437)	(14,492,685)
Total student revenue, net		42,007,876	39,382,639
Federal grants		12,061,378	12,260,582
State of New Jersey grants		8,492,757	8,443,791
Private grants		52,072	123,646
Other operating revenues		1,765,599	1,545,871
Total operating revenues		64,379,682	61,756,529
Operating expenses:			
Instruction		42,181,282	39,887,068
Research and programs		8,406	7,853
Public service and enterprise development		72,069	255,945
Academic support		10,198,595	9,392,862
Student services		11,989,874	10,259,170
Institutional support		17,367,738	17,007,495
Operation and maintenance of plant		11,514,170	11,431,083
Auxiliary enterprises		1,679,792	2,645,151
Student aid		2,557,657	2,806,002
Depreciation		6,331,220	5,120,077
Total operating expenses		103,900,803	98,812,706
Operating loss		(39,521,121)	(37,056,177)
Nonoperating revenues (expenses):			
State of New Jersey appropriations		32,139,000	30,442,000
State of New Jersey fringe benefit appropriations		15,311,740	13,923,934
Gifts to affiliates		(628,661)	(274,566)
Investment income		1,041,105	261,287
Interest expense		(2,938,441)	(1,466,112)
Gain on disposal of capital assets		18,994	—
Other nonoperating revenues (expenses)		(24,446)	30,628
Net nonoperating revenues		44,919,291	42,917,171
Income before other revenues		5,398,170	5,860,994
Other revenues:			
Capital grants and gifts		2,390,750	590,750
Increase in net assets		7,788,920	6,451,744
Net assets as of beginning of year		82,121,520	75,669,776
Net assets as of end of year	$	89,910,440	82,121,520

See accompanying notes to financial statements.

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

Statement of Activities and Changes in Net Assets

Year ended June 30, 2005

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:					
Support from public contributions	$	692,225	140,451	125,872	958,548
Development grants and contracts		167,125	100,000	—	267,125
Charitable annuity remainder trust		—	1,334,093	—	1,334,093
Contributed services and facilities		728,650	—	—	728,650
Interest and dividend income		95,491	—	—	95,491
Rental income		104,290	—	—	104,290
Events		437,802	—	—	437,802
Appreciation in market value of investments		174,801	—	—	174,801
Net assets released from restrictions in satisfaction of program restrictions		90,084	(90,084)	—	—
Total support and revenues		2,490,468	1,484,460	125,872	4,100,800
Expenses:					
Program services		1,022,853	—	—	1,022,853
Management and general		160,483	—	—	160,483
Fund-raising		414,608	—	—	414,608
Events		222,582	—	—	222,582
Total expenses		1,820,526	—	—	1,820,526
Change in net assets		669,942	1,484,460	125,872	2,280,274
Net assets, beginning of year		1,628,856	1,025,294	1,572,856	4,227,006
Net assets, end of year	$	2,298,798	2,509,754	1,698,728	6,507,280

See accompanying notes to financial statements.

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

Statement of Activities and Changes in Net Assets

Year ended June 30, 2004

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:					
Support from public contributions	$	201,321	111,354	293,082	605,757
Development grants and contracts		105,513	—	—	105,513
Contributed services and facilities		382,168	—	—	382,168
Interest and dividend income		41,564	21,522	32,659	95,745
Rental income		12,500	—	—	12,500
Credit card commissions		10,141	—	—	10,141
Events		75,380	—	—	75,380
Appreciation in market value of investments		124,284	64,354	90,688	279,326
Net assets released from restrictions in satisfaction of program restrictions		83,412	(83,412)	—	—
Total support and revenues		1,036,283	113,818	416,429	1,566,530
Expenses:					
Program services		896,194	—	—	896,194
Management and general		93,366	—	—	93,366
Fund-raising		119,000	—	—	119,000
Events		50,169	—	—	50,169
Total expenses		1,158,729	—	—	1,158,729
Change in net assets		(122,446)	113,818	416,429	407,801
Net assets, beginning of year		1,751,302	911,476	1,156,427	3,819,205
Net assets, end of year	$	1,628,856	1,025,294	1,572,856	4,227,006

See accompanying notes to financial statements.

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

Statements of Cash Flows
(University Only)

Years ended June 30, 2005 and 2004

		2005	2004
Cash flows from operating activities:			
Student receipts	$	35,989,868	32,615,909
Grants and contracts		20,471,190	20,295,719
Payments for salaries and benefits		(64,911,503)	(62,506,309)
Payments to suppliers		(15,692,537)	(11,920,330)
Payments for utilities		(2,431,600)	(3,021,244)
Payments to students		(2,557,657)	(2,891,453)
Loans issued to students		(132,316)	(135,074)
Collection of loans from students		166,672	163,141
Auxiliary enterprises		3,666,331	3,759,768
Other receipts		319,630	2,071,611
Net cash used by operating activities		(25,111,922)	(21,568,262)
Cash flows from noncapital financing activities:			
State of New Jersey appropriations		36,379,103	34,665,449
Net cash provided by noncapital financing activities		36,379,103	34,665,449
Cash flows from capital financing activities:			
Proceeds from capital debt		21,575,000	5,200,000
Capital grants and gifts		45,375	590,750
Purchase of capital assets		(30,658,904)	(30,673,500)
Bond issuance costs		(456,581)	(116,512)
Principal paid on capital debt		(2,218,590)	(2,088,090)
Interest paid on capital debt		(3,019,867)	(3,457,502)
Drawdowns on deposits held with trustees		17,067,761	20,302,733
Deposits made with trustees		(21,348,611)	—
Net cash used by capital financing activities		(19,014,417)	(10,242,121)
Cash flows from investing activities:			
Purchases of investments		(143,475)	(6,483,467)
Interest on investments		486,988	912,305
Net cash provided by (used by) investing activities		343,513	(5,571,162)
Net decrease in cash and cash equivalents		(7,403,723)	(2,716,096)
Cash and cash equivalents as of beginning of year		7,952,703	10,668,799
Cash and cash equivalents as of end of year	$	548,980	7,952,703
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$	(39,521,121)	(37,056,177)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Bad debt expense		270,848	48,564
Amortization expense		81,645	75,306
State of New Jersey paid fringe benefits		11,071,637	9,673,051
Depreciation expense		6,331,220	5,120,077
Changes in assets and liabilities:			
Receivables, net		(4,702,855)	(1,813,355)
Other assets, current and noncurrent		(49,420)	6,631,506
Accounts payable and accrued expenses		1,372,250	(3,810,314)
Deferred revenue		33,874	(436,920)
Net cash used by operating activities	$	(25,111,922)	(21,568,262)
Noncash transactions:			
Gifts	$	728,661	1,035,026
State of New Jersey paid fringe benefits		11,071,637	9,673,051
State of New Jersey paid fringe benefits		(11,071,637)	(9,673,051)

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

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. The University serves thousands of residents of the northeast corner of the State. Approximately 10% of the student population is comprised of men and women from other areas of New Jersey, adjacent states, and foreign countries. The operation and management of the University is vested in its nine member board of trustees.

Special features of the campus include the A. Harry Moore Laboratory School for Special Education, the Peter W. Rodino, Jr. Institute of Criminal Justice, the Center for the Advancement of Teaching and Learning (CATALYST), the Center for Occupational Education, the Adult Education Center, the Media Arts Center, the Margaret Williams Theater for the Performing Arts, the Black Box Theater, and the Small Business Development Incubator. The University's John J. Moore Athletic and Fitness Center has a gymnasium, fitness center, swimming pool, and modern dance studio. The University has three auditoriums, in addition to its approximately 110 classrooms and laboratories.

Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the University conform to accounting principles generally accepted in the United States of America as applicable to public colleges and universities. The University reports are based on all applicable Governmental Accounting Standards Board (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 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.

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 or may otherwise be limited by contractual agreements with outside parties. 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 accounting principles generally accepted in the United States of America 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 as cash equivalents, funds that are in short term, highly liquid investments and are readily convertible to known amounts of cash. These funds mature in three months or less.

The University invests portions of its cash in two funds, a money market fund 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.

(Continued)

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. Realized and unrealized gains and losses are reported in investment income.

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 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. Gain 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	20 to 40 years
Equipment and other assets	5 to 15 years

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 grants from Federal and State of New Jersey sources and is recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned 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.

(Continued)

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 include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State, net investment income, and gifts 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

Effective July 1, 2004, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures", an amendment of GASB Statement No. 3 and, accordingly, the University has assessed the Custodial Credit Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its cash and cash equivalents and investments. Comparative information as of June 30, 2004 is presented for informational purposes only and is not intended for disclosure purposes under GASB 40.

Cash and Cash Equivalents

The carrying amount of cash as of June 30, 2005 and 2004 was ($460,075) and $282,917, respectively, while the amount on deposit with banks was $4,122,813 and $2,538,368, 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, 2005 and 2004 were partially insured by Federal Depository Insurance in the amount of $100,000. Bank balances in excess of insured amounts totaling $4,022,813 in 2005 and $2,438,368 in 2004, 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 carrying amount and fair value as of June 30, 2005 and 2004 were $1,009,055 and $7,669,786, respectively.

(Continued)

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.

Investments

Investments consist of the following as of June 30, 2005 and 2004:

		2005	2004
Money market accounts	$	924,519	1,751,149
U.S. Treasury notes		3,469,324	8,504,712
Corporate notes and bonds		12,890,810	6,659,326
		17,284,653	16,915,187
Less noncurrent portion		(10,966,024)	(9,516,876)
Investments, current portion	$	6,318,629	7,398,311

The University's investments are subject to custodial credit risk, credit risk, concentration of credit risk and interest rate risk. Each one of these risks is discussed in more detail below.

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, 2005, the University's investments are either insured, registered, or held by the University's investment custodian in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. 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, 2005 the University's investment quality ratings as rated by Moody's were as follows:

Investment type	Quality rating		Amount
Money market accounts and U.S. Treasury notes	—	$	4,393,843
Corporate notes and bonds	AAA		2,220,287
Corporate notes and bonds	AA3		2,109,025
Corporate notes and bonds	AA2		1,609,779
Corporate notes and bonds	AA1		356,123
Corporate notes and bonds	A3 and lower		6,595,596
		$	17,284,653

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 cash management fund is unrated.

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 of the investment portfolio.

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. The following table summarizes investment maturities as of June 30, 2005:

			Investment maturities (in years)		
Investment type		Fair value	Less than 1	1 to 2	Greater than 2
Money market accounts	$	924,519	924,519	—	—
U.S. Treasury notes		3,469,324	1,486,540	493,501	1,489,283
Corporate notes and bonds		12,890,810	3,907,570	4,230,852	4,752,388
	$	17,284,653	6,318,629	4,724,353	6,241,671

(3) Deposits Held With Bond Trustees

Deposits held with bond trustees include funds held by The Bank of New York, Wachovia Bank, and Trust Company of NJ under the terms of various long term debt agreements. Deposits held with bond trustees are carried in the financial statements at fair value and consist of the following:

		2005	2004
Cash and cash equivalents	$	1,443	760
Money market accounts		1,497,731	3,884,328
U.S. Treasury notes and government securities		10,514,821	8,007,356
New Jersey Cash Management Fund		42,768,123	38,689,465
		54,782,118	50,581,909
Less noncurrent portion		(44,280,162)	(47,115,201)
Deposits held with bond trustees, current portion	$	10,501,956	3,466,708

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, 2005, the University's 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. In addition, deposits held with bond trustees relating to the 2003 A and 2005 A debt series are invested in New Jersey Cash Management Fund.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table summarizes deposits held with bond trustees maturities as of June 30, 2005:

			Investment maturities (in years)	
Investment type		Fair value	Less than 1	1 to 2
Cash and cash equivalents	$	1,443	1,443	—
Money market accounts		1,497,731	1,497,731	—
U.S. Treasury notes and government securities		10,514,821	10,514,821	—
New Jersey Cash Management Fund		42,768,123	—	42,768,123
	$	54,782,118	12,013,995	42,768,123

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2005 and 2004 follows:

	June 30, 2004	Additions	Reductions	June 30, 2005
Depreciable assets:				
Land improvements	$ 796,133	3,810	—	799,943
Buildings and building improvements	109,072,734	7,062,460	—	116,135,194
Equipment and other assets	30,554,876	11,152,339	(308,764)	41,398,451
	140,423,743	18,218,609	(308,764)	158,333,588
Less accumulated depreciation	(50,629,330)	(6,331,220)	275,503	(56,685,047)
	89,794,413	11,887,389	(33,261)	101,648,541
Nondepreciable assets:				
Land	13,519,476	—	—	13,519,476
Construction in progress	17,541,362	31,206,951	(16,397,553)	32,350,760
	$ 120,855,251	43,094,340	(16,430,814)	147,518,777

	June 30, 2003	Additions	Reductions	June 30, 2004
Depreciable assets:				
Land improvements	$ 796,133	—	—	796,133
Buildings and building improvements	77,009,308	32,063,426	—	109,072,734
Equipment and other assets	28,348,999	2,963,179	(757,302)	30,554,876
	106,154,440	35,026,605	(757,302)	140,423,743
Less accumulated depreciation	(46,240,268)	(5,120,077)	731,015	(50,629,330)
	59,914,172	29,906,528	(26,287)	89,794,413
Nondepreciable assets:				
Land	8,041,374	5,478,102	—	13,519,476
Construction in progress	25,659,448	23,945,340	(32,063,426)	17,541,362
	$ 93,614,994	59,329,970	(32,089,713)	120,855,251

Estimated costs to complete the projects classified as construction in progress as of June 30, 2005 approximated $49.2 million and are anticipated to be funded primarily from State of New Jersey financial assistance, bond financing, and other unrestricted resources. During 2005 and 2004, the University capitalized interest income of approximately $254,000 and $297,000, respectively, and interest expense of approximately $1,034,000 and $2,010,000, respectively, which is included in construction in progress in the accompanying statements of net assets.

(5) Long Term Debt

The University has financed capital assets through various revenue bonds issued by the New Jersey Educational Facilities Authority (the Authority). The University has pledged all net revenue derived from the operation of the dormitories, student center, recreation center, academic building and athletic and recreation facilities as security. Estimated costs in connection with these capital assets of approximately $98.5 million and $90.7 million as of June 30, 2005 and 2004, respectively, are included in the accompanying statements of net assets. The following obligations to the Authority were outstanding as of June 30, 2005 and 2004:

	Interest rate	2005	2004
Bonds payable:			
New Jersey Educational Facility Authority Revenue Bonds:			
Series 1977 C Revenue Bonds, due serially to 2010	6.29%	$ 2,975,000	3,370,000
Series 1995 C Revenue Bonds, due serially to 2007	3.80 - 4.90%	740,000	965,000
Series 1998 E Revenue Bonds, due serially to 2028	4.40 - 9.00%	6,315,000	6,455,000
Series 1999 B Revenue Bonds, due serially to 2018	4.40 - 5.00%	10,835,000	11,390,000
Series 1999 B Revenue Bonds, due July 1, 2019, 2020, 2022, and 2025	4.75 - 5.00%	5,075,000	5,075,000
Series 2002 A Revenue Bonds, due serially to 2032	3.00 - 5.00%	14,575,000	14,850,000
Series 2003 A Revenue Bonds, due July 1, 2032	Variable	47,850,000	47,850,000
Series 2003 B Revenue Bonds, due July 1, 2018	5.45%	2,300,000	2,300,000
Series 2005 A Revenue Bonds, due July 1, 2035	Variable	21,575,000	—
Total bonds payable		112,240,000	92,255,000
Other long term debt:			
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B	4.13 - 5.75%	5,028,334	5,225,001
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2001 A	3.50 - 5.00%	266,559	390,214
New Jersey Educational Facility Authority Dorm Safety 2001 A and B	4.50%	607,197	662,393
Various capital lease obligations	5.00%	771,563	934,246
Total other long term debt		6,673,653	7,211,854
Total long term debt		118,913,653	99,466,854
Less noncurrent portion		(116,423,459)	(97,343,317)
Total long term debt, current portion		$ 2,490,194	2,123,537

On May 7, 2003, the University issued through the Authority $50,150,000 of Revenue Bonds, which consist of $47,850,000 Series 2003 A and $2,300,000 Series 2003 B bonds. The Series 2003 A bonds are floating rate bonds. The Series 2003 B bonds are fixed at a rate of 5.45%. The purpose of the Series 2003 A bonds was to defease the University's outstanding Series 1993 H bonds, as well as for capital projects including the arts and science tower, charter school, fine arts building equipment, student union renovation, expansion and improvement of the parking facilities and well as other major capital improvement projects. The purpose of the Series 2003 B bonds was for the business incubator project.

On January 18, 2005, the University issued through the Authority $21,575,000 of Series 2005 A Revenue Bonds. The Series 2005 A bonds bear interest at a Dutch Auction Rate. The purpose of the Series 2005 A bonds was to finance capital projects such as the Gilligan Student Union Building Renovations, Campus Roadway Upgrade, Cogeneration Plant, and Information Technology Equipment.

Interest Rate Swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds, the Authority has entered into three interest rate swaps.

2003 A Synthetic Fixed Swap

In May of 2003, in connection with its $47,850,000 Series 2003 A floating rate bonds, the University entered into an interest rate swap. The intention of the swap was to effectively change the Authority's floating interest rate on the bonds to a synthetic fixed rate of 3.245%.

The bonds and the related swap agreement mature on July 1, 2032, and the swap's notional amount of $22,000,000 matches a portion of the $47,850,000 floating rate bonds. The swap was entered at the same time the bonds were issued. Starting in fiscal year 2005, the notional value of the swap and the principal amount of the associated debt declined per their respective schedules. Under the swap, the Authority pays the counterparty a fixed payment of 3.245% and receives a variable payment computed as 67% of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bond's floating rate coupons are based on the R-FLOATs rate which is a market rate that correlates to The Bond Market Association Municipal Swap Index (BMA).

Interest rates have decreased and have negatively impacted the fair value of the swap since execution. The swap had a fair value of ($745,781) as of June 30, 2005 and a fair value of $1,033,128 as of June 30, 2004. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As of June 30, 2005, the Authority was exposed to reduced credit risk because the swap had a negative fair value. As of June 30, 2004, the Authority was exposed to credit risk because the swap had a favorable fair value in the amount of the derivative's fair value of $1,033,128. The swap counterparty was rated AA- by Fitch Ratings, A+ by Standard & Poor's and Aa2 by Moody's Investors Service as of June 30, 2005 and 2004. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA-/Aa3 by at least one rating agency, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

The swap exposes the University to basis risk should the relationship between LIBOR and R-FLOATs converge, changing the overall synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.245%) and the overall synthetic rate as of June 30, 2005 and 2004 of (3.157%) and (3.234%), respectively. If a change occurs that results in the rates' moving to convergence, the expected cost of savings may not be realized. As of June 30, 2005, the R-FLOATs rate was 2.15%, whereas 67% of LIBOR was 2.238%. As of June 30, 2004, the R-FLOATs rate was 1.06% whereas 67% of LIBOR was 0.92%.

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority if the counterparty's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" as issued by Moody's Investors Service. If the swap is terminated, the floating rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Using rates as of June 30, 2005, debt service requirements of the swapped portion of variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, floating rate bond interest payments and net swap payments will vary.

Fiscal year ending June 30		Floating rate bonds Principal	Floating rate bonds Interest	Interest rate swap, net	Total
2006	$	45,000	472,033	221,087	738,120
2007		45,000	471,065	220,634	736,699
2008		45,000	470,098	220,181	735,279
2009		120,000	467,518	218,972	806,490
2010		130,000	464,723	217,663	812,386
2011-2032		21,615,000	6,801,633	3,185,695	31,602,328
	$	22,000,000	9,147,070	4,284,232	35,431,302

2005 A Synthetic Fixed Swap

In January 2005 the Authority entered into a synthetic fixed rate swap in connection with its Series 2005 A floating rate bonds. The intention of the swap was to effectively change the Authority's floating interest rate on the bonds to a synthetic fixed rate of 3.355%.

The bonds and the related swap agreement mature on July 1, 2035, and the swap's notional amount of $21,575,000 matches the principal amount of the Series 2005 A floating rate bonds. The swap was entered at the same time the bonds were issued. Under the swap, the Authority pays the counterparty a fixed payment of 3.355% and receives a variable payment equivalent to the (BMA) through January 1, 2007 and computed as 67% of the one-month (LIBOR) thereafter. Conversely, the bond's floating rate coupons are based on the R-FLOATs rate which is a market rate that correlates to The Bond Market Association Municipal Swap Index (BMA).

The swap had a fair value of ($843,564) as of June 30, 2005. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swap counterparty was rated AA- by Fitch Ratings, A+ by Standard & Poor's and Aa2 by Moody's Investors Service as of June 30, 2005. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA-/Aa3 by at least one rating agency, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

During the initial period of the swap when the variable rate is based on the BMA index, the Authority is exposed to interest rate risk since the bonds are reset at a tax-exempt floating rate similar, but not necessarily the same as the BMA tax-exempt index.

After the initial variable rate period of the swap, the Authority will be exposed to basis risk since the variable leg will then be based on 67% percent of the one month LIBOR. The swap exposes the University to basis risk should the relationship between LIBOR and R-FLOATs converge, changing the overall synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.355%) and the overall synthetic rate as of June 30, 2005, 3.225%. If a change occurs that results in the rates' moving to convergence, the expected cost of savings may not be realized. As of June 30, 2005, the R-FLOATs rate was 2.15%, whereas BMA was 2.28%.

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the Authority if the counterparty's credit quality rating falls below "BBB-" as issued by Standard & Poor's or "Baa3" as issued by Moody's Investors Service. If the swap is terminated, the floating rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

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Using rates as of June 30, 2005, debt service requirements of the swapped portion of variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, floating rate bond interest payments and net swap payments will vary.

Fiscal year ending June 30		Floating rate bonds Principal	Floating rate bonds Interest	Interest rate swap, net	Total
2006	$	—	473,000	236,500	709,500
2007		550,000	461,175	230,588	1,241,763
2008		775,000	444,513	222,256	1,441,769
2009		800,000	427,313	213,656	1,440,969
2010		825,000	409,575	204,788	1,439,363
2011-2032		18,625,000	5,322,863	2,661,431	26,609,294
	$	21,575,000	7,538,439	3,769,219	32,882,658

Basis Swap

In January 2005, the Authority entered into a Basis Swap in order to hedge interest rate risk by converting its remaining Series 2003 A variable rate bonds, which trades based on BMA, into variable rate debt based on 78.05% of LIBOR.

The bonds and the related Basis Swap agreement mature on July 1, 2032, and the swap's notional amount of $25,850,000 match the variable rate bonds. Beginning in fiscal year 2005, the notional value of the swap and the principal amount of the associated debt will decline. Under the Basis Swap agreement, the Authority pays the counterparty a variable payment based on The Bond Market Association Municipal Swap Index (BMA) and receives a variable payment computed as 78.05% of one-month London Interbank Offered Rate (LIBOR).

Because BMA/LIBOR ratios have increased based on the average life of the Basis Swap, the Basis Swap had a negative fair value of ($501,432) as of June 30, 2005. The fair value was calculated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each further net settlement on the swap.

As of June 30, 2005, the Authority was not exposed to credit risk because the Basis Swap had a negative fair value. However, should interest rates change and the fair value of the Basis Swap becomes positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value. The Basis Swap counterparty was rated Aa3 by Moody's and A+ by Standard & Poor's as of June 30, 2005. To mitigate credit risk, if the counterparty's credit quality falls below by Baa3 by Moody's or BBB- by Standard & Poor's, the fair value of the Basis Swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

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The Basis Swap exposes the Authority to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic variable rate on the bonds. The effect of this difference in basis is indicated by the difference between BMA and 78.05% of LIBOR. If a change occurs that results in the rates' moving to convergence, the expected cost of savings may not be realized. As of June 30, 2005, the BMA rate was 2.28%, whereas 78.05% of LIBOR was 2.607%.

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for that payment.

Using rates as of June 30, 2005, debt service requirements of the swapped portion of variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, floating rate bond interest payments and net swap payments will vary.

Fiscal year ending June 30		Floating rate bonds Principal	Floating rate bonds Interest	Interest rate swap, net	Total
2006	$	5,000	555,668	(85,289)	475,379
2007		5,000	555,560	(85,272)	475,288
2008		55,000	554,378	(85,091)	524,287
2009		55,000	553,195	(84,909)	523,286
2010		70,000	551,690	(84,678)	537,012
2011-2032		25,660,000	8,457,455	(1,298,121)	32,819,334
	$	25,850,000	11,227,946	(1,723,360)	35,354,586

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, 2005, the net present value of the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments, is approximately $771,563. The fiscal year 2005 payments for these capitalized lease obligations was $274,341.

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, 2005:

		Principal	Interest
Year ending June 30:			
2006	$	2,490,194	4,566,291
2007		2,934,798	4,436,479
2008		3,169,005	4,299,606
2009		3,038,018	4,163,250
2010		3,180,660	4,025,382
2006-2010 subtotal		14,812,675	21,491,008
2011-2015		16,080,998	16,555,579
2016-2020		19,685,238	14,269,264
2021-2025		20,969,742	9,914,334
2026-2030		24,000,000	5,540,978
2031-2032		23,365,000	1,133,725
	$	118,913,653	68,904,888

Line of Credit

On February 20, 2004 the University entered into a secured commercial revolving credit loan agreement with Fleet National Bank (the Lender) in the amount of $7,500,000. As of June 30, 2005 and 2004, the outstanding balance was $5,200,000. The Lender sends monthly an invoice reflecting the accrued interest and fees due under this agreement. Interest is calculated based on monthly London Interbank Offered Rate (LIBOR). All payments shall be first applied to the payment of fees, expenses and other amounts due to the Lender (excluding principal and interest), then to accrued interest and the balance on account of principal outstanding. The University may prepay, in whole or part, an aggregate minimum amount of the lesser of $50,000 or the aggregate principal balance outstanding. The University has pledged a security interest in an account held with the Securities Intermediaries as security for this agreement.

(6) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2005 and 2004:

		June 30, 2004	Additions	Reductions	June 30, 2005	Current portion
Long term debt	$	104,666,854	21,641,608	(2,194,809)	124,113,653	2,490,194
Other noncurrent liabilities:						
U.S. government grants refundable		571,237	95,844	—	667,081	—
Compensated absences		2,736,410	702,586	(77,621)	3,361,375	1,714,449
Total noncurrent liabilities	$	107,974,501	22,440,038	(2,272,430)	128,142,109	4,204,643

		June 30, 2003	Additions	Reductions	June 30, 2004	Current portion
Long term debt	$	100,407,582	6,347,362	(2,088,090)	104,666,854	2,123,537
Other noncurrent liabilities:						
U.S. government grants refundable		276,981	294,256	—	571,237	—
Compensated absences		2,514,139	253,620	(31,349)	2,736,410	1,704,800
Total noncurrent liabilities	$	103,198,702	6,895,238	(2,119,439)	107,974,501	3,828,337

(7) Retirement Plans

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. The PERS pension plan is a defined benefit program administered by the State of New Jersey Division of Pension 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 health care, 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 Pension 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.

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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 defined benefit plan. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage including post retirement health care to substantially all full time public school employees in the State of New Jersey. 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 Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

PERS Funding Policy

Employees holding classified position are enrolled into the PERS pension plan. For permanent employees, PERS enrollment begins after the employee completes 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 5% of their annual covered salary for the years ended June 30, 2005 and 2004. 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 2005 or 2004 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.

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Participating University employees are required to contribute 5% of their base annual salary and may contribute, on a pre tax basis, an additional voluntary contribution of salary up to the maximum Federal statutory limit. Employer contributions are 8%. During the years ended June 30, 2005 and 2004, ABP received employer and employee contributions that approximated the following from the University:

		2005	2004
Employer contribution	$	2,363,000	2,204,000
Employee contribution		1,477,000	1,378,000
Basis for contributions:			
Participating employee salaries		29,538,000	27,552,000

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.

(8) 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.

(9) State of New Jersey Fringe Benefit Appropriations

The State of New Jersey, through separate appropriations, pays certain fringe benefits. Specifically, the 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, 2005 and 2004, such benefits amounted to approximately $15.3 million and $13.9 million, respectively, and are included in appropriations revenue and expenses in the accompanying financial statements.

(10) Compensated Absences

The University recorded a liability for compensated absences in the amount of approximately $3,361,375 and $2,736,410 as of June 30, 2005 and 2004, respectively, which is included in accounts payable and accrued expenses and other noncurrent liabilities in the accompanying statements of net assets. The liability is calculated based upon employees' accrued vacation leave 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, during 1991 through 2005, the State did not make such reimbursements. The University paid approximately $77,621 and $31,349 in sick leave payments for employees who retired during the years ended June 30, 2005 and 2004, respectively.

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(11) 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 U.S. Department of Education (the Department). 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.

(12) New Jersey City University Foundation, Inc.

New Jersey City University Foundation, Inc. (Foundation) is a legally separate tax-exempt component unit of the organization 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 Board of Directors has twenty 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 Organization and is discretely presented in the University's basic financial statements.

During the year ended June 30, 2005 and 2004 the Foundation distributed $145,024 and $125,348, respectively, to the University in the form of scholarships. The University contributed $628,661 and $274,566, respectively in services for the years ended June 30, 2005 and 2004, respectively, and contributed facilities of $100,000 for the year ended June 30, 2005.

In February 2005, the University provided a $390,000 promissory note to the Foundation. This note is non-interest bearing during its original term and matures December 1, 2007. The promissory note can be extended an additional year at the option of the University. After maturity, the promissory note bears interest at 10% per annum until paid.

Complete financial statements for the Foundation can be obtained from the Controllers Office at 2039 Kennedy Boulevard, Jersey City, New Jersey 07305.

The Foundation is a private not for profit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-For Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations financial information in the University's financial reporting entity for these differences.