



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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2011 and 2010

(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, 2011 and 2010, 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, 2011 and 2010, 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.

The management's discussion and analysis on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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

October 27, 2011

NEW JERSEY CITY UNIVERSITY
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Management's Discussion and Analysis

June 30, 2011 and 2010

Introduction

This section of the financial statements of New Jersey City University (the University) presents management's discussion and analysis of the financial performance and condition for the years ended June 30, 2011 and 2010, and comparative amounts for the year ended June 30, 2009. 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, 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 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 30 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. During the summer of fiscal year 2009 the University also began offering an undergraduate accelerated nursing program. 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 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 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. 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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June 30, 2011 and 2010

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University 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. 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 noncurrent. 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, 2011 and 2010, and comparative amounts at June 30, 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		(In millions)	
Assets:			
Current assets	\$ 33.1	41.3	45.0
Noncurrent assets:			
Capital assets	174.1	170.7	173.7
Other assets	57.0	24.7	18.1
Total assets	<u>\$ 264.2</u>	<u>236.7</u>	<u>236.8</u>
Liabilities:			
Current liabilities	\$ 21.7	21.4	18.9
Noncurrent liabilities	145.5	117.6	121.4
Total liabilities	<u>\$ 167.2</u>	<u>139.0</u>	<u>140.3</u>

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	2011	2010	2009
	(In millions)		
Net assets:			
Invested in capital assets, net of related debt	\$ 59.9	60.5	60.9
Restricted for expendable:			
Renewal and replacement	1.1	2.8	2.7
Debt service reserve	0.6	1.9	2.5
Debt service – principal	2.3	3.5	2.9
Perkins loans	0.2	0.2	0.2
Unrestricted	32.9	28.8	27.3
Total net assets	\$ 97.0	97.7	96.5

Statement of Net Assets – Financial Highlights

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 were offset by the refinance of 1999B of \$12.2 million. These additions to trust cash were 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 other receivables is attributed to the timing and collection of A. Harry Moore and NJ Pathways tuition receivables as of the fiscal year end.

As of June 30, 2010, the University's total assets decreased by \$0.1 million to \$236.7 million from \$236.8 million as of June 30, 2009. This decrease is attributable to decreases in several accounts, most notably a decrease of \$1.2 million in other receivables attributed to enhanced collection efforts of A. Harry Moore and NJ Pathways tuition receivables throughout the year and a decrease of \$3.0 million in net capital assets attributed to depreciation expense of \$7.7 million exceeding current year additions of \$4.7 million. These decreases were offset by an increase of \$5.1 million in University investments attributable to additional money market investment vehicles purchased during the year.

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.

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As of June 30, 2010, the University's total liabilities decreased by \$1.3 million to \$139.0 million from \$140.3 million as of June 30, 2009. This decrease is primarily attributable to a decrease in long-term debt of \$3.3 million due to principal payments made during the year offset primarily by an increase in accounts payable of \$1.8 million related to vendor payments, payroll and compensated absence liabilities.

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 1.5, 1.1, and 2.3 as of June 30, 2011, 2010, and 2009, 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 24.17%, 21.99%, and 21.61% as of June 30, 2011, 2010, and 2009, 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. For the year ended

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June 30, 2011, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a negative year with a decrease in net assets of \$0.7 million. The following is the Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2011 and 2010, and comparative amounts for the year ended June 30, 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		(In millions)	
Operating revenues:			
Student revenue (less scholarships)	\$ 54.37	52.36	51.97
Grants and contracts	33.95	29.31	25.32
Other	2.76	2.91	2.55
Total operating revenues	<u>91.08</u>	<u>84.58</u>	<u>79.84</u>
Operating expenses:			
Instruction	56.37	51.30	51.18
Academic support	13.60	12.30	12.29
Student services	14.10	13.06	13.28
Institutional support	21.26	22.27	19.38
Operation and maintenance of plant	15.63	15.68	15.28
Auxiliary enterprises	4.59	4.70	4.18
Student aid	3.03	3.77	2.73
Depreciation	7.39	7.74	8.00
Total operating expenses	<u>135.97</u>	<u>130.82</u>	<u>126.32</u>
Operating loss	<u>(44.89)</u>	<u>(46.24)</u>	<u>(46.48)</u>
	<u>2011</u>	<u>2010</u>	<u>2009</u>
		(In millions)	
Nonoperating revenues (expenses):			
State of New Jersey appropriations	\$ 27.09	31.42	30.39
State of New Jersey fringe benefit appropriations	21.26	19.90	18.51
Investment income	0.36	0.15	0.83
Interest expense	(5.07)	(5.47)	(5.62)
Other nonoperating expenses	(0.01)	(0.37)	(0.39)
Net nonoperating revenues	<u>43.63</u>	<u>45.63</u>	<u>43.72</u>
Capital grants and gifts	<u>0.54</u>	<u>1.83</u>	<u>0.46</u>
(Decrease) increase in net assets	(0.71)	1.22	(2.30)
Net assets, beginning of year	<u>97.69</u>	<u>96.47</u>	<u>98.77</u>
Net assets, end of year	<u>\$ 96.98</u>	<u>97.69</u>	<u>96.47</u>

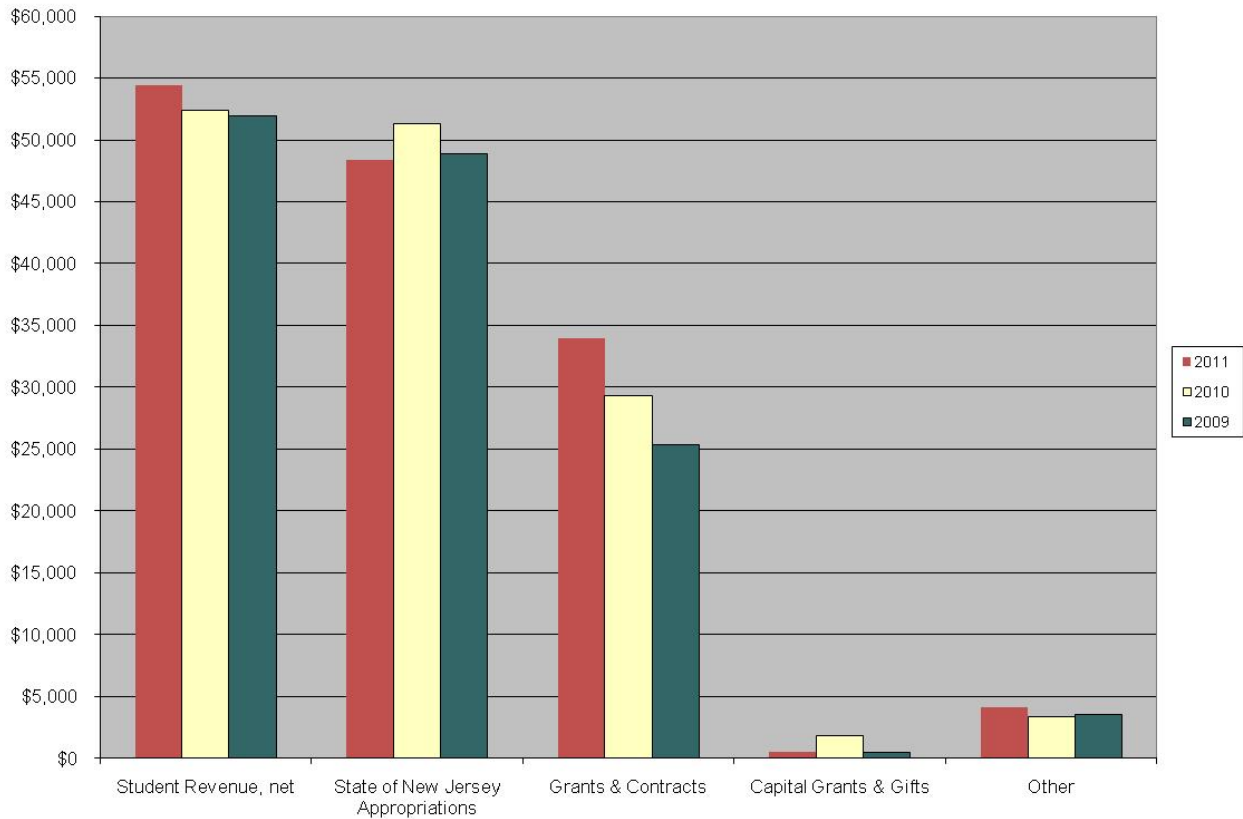
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Financial Highlights – Revenues

The University derives its revenue from a variety of sources. The following is an illustration of revenues by source, both operating and nonoperating, which are used to fund the University's activities for the years ended June 30, 2011 and 2010, and comparative amounts for the year ended June 30, 2009 (amounts in thousands):



	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%
		2009				
		Student revenue, net	State of New Jersey appropriations	Grants and contracts	Capital grants and gifts	Other revenues
Amounts (in thousands)	\$	51,969	48,893	25,319	459	3,557
Percent		39.9%	37.6%	19.4%	0.4%	2.7%

For 2011, 2010, and 2009, 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, 2011, 2010, and 2009 were \$48.3 million, \$51.3 million, and \$48.9 million, respectively. The State of New Jersey appropriations continue to be affected by the economic climate in New Jersey. 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, 2011, 2010, and 2009 were \$54.4 million, \$52.3 million, and \$52.0 million, respectively. This comprised 38.5%, 37.9%, and 39.9% of the revenue received by the University for the fiscal years ending June 30, 2011, 2010, and 2009, respectively. Tuition rates were increased by 4.0%, 3.0% and 7.0% for the academic years beginning in fall 2010, 2009, and 2008, respectively.

For the year ended June 30, 2011, 2010, and 2009, revenues from Federal and State of New Jersey grants were \$33.9 million, \$29.3 million, and \$25.3 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, Gear Up, Newark Striving Readers, Americorps, and U.S. Department of Housing and Urban Development (HUD), among others. Major State of New Jersey grant programs include TAG, Educational Opportunity Fund, College Bound, and Youth Corps. In fiscal year 2011, grant revenues for the Federal Pell program and NJ TAG increased approximately \$2.6 million and \$1.7 million, respectively. Increases of \$4.3 million and \$1.9 million were seen in the Pell and TAG programs, respectively, in fiscal year 2010 as well. Pell and TAG increased by \$1.5 million for the fiscal year ending June 30, 2009 in proportion to the increase in tuition and fees.

During both fiscal years 2011 and 2010 the University recognized capital grant revenue for \$.045 million from the U.S. Department of Housing and Urban Development (HUD). In fiscal year 2009 the HUD subsidy was \$.09 million. In addition, during fiscal years 2011, 2010 and 2009 the University recognized capital grants for \$0.5 million, \$1.8 million, and \$0.5 million, respectively, for the renovation of classrooms and lab space in the Science Building.

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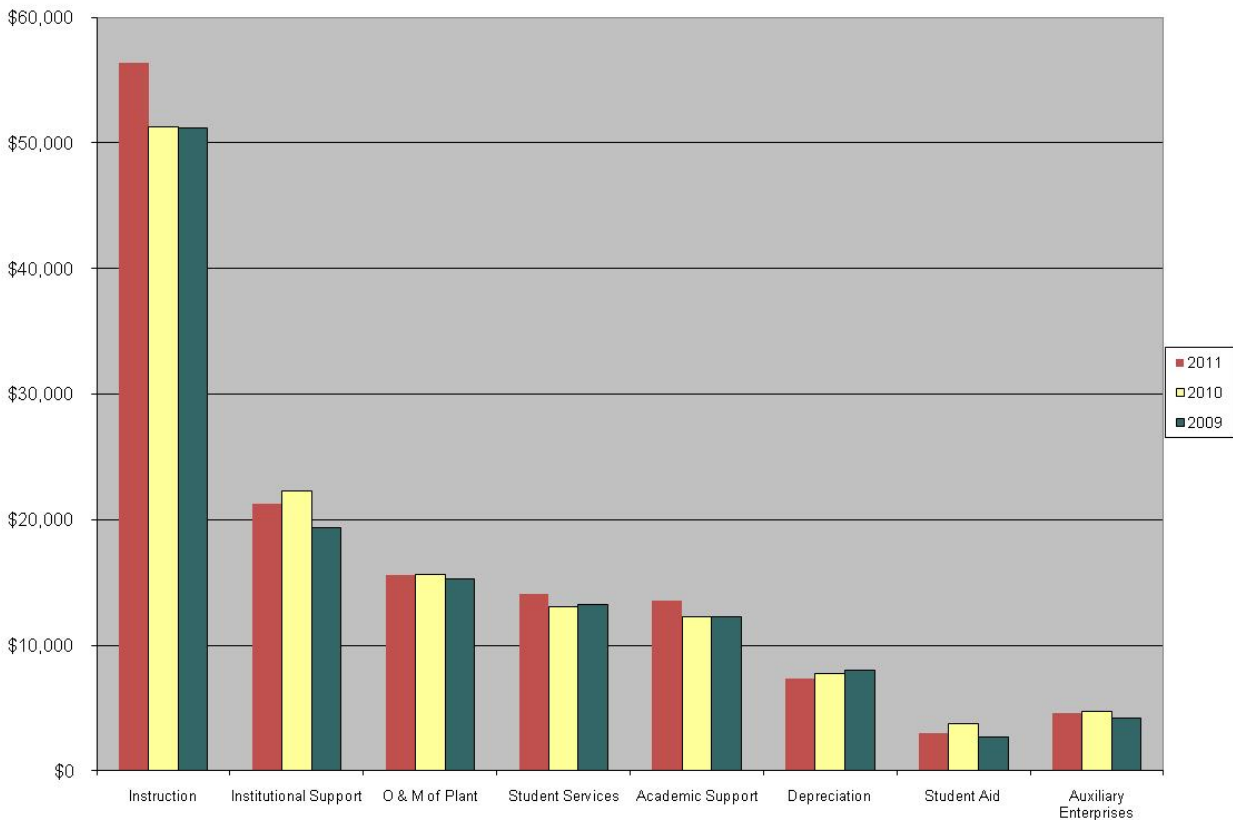
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For the years ended June 30, 2011 and 2010, investment income was \$0.4 million and \$0.2 million, respectively. As a result of the current market environment, investment income increased by \$0.2 million as compared to the prior fiscal year. For the year ended June 30, 2009 interest income decreased by approximately \$0.6 million as compared to the prior fiscal year. There were no significant bond maturities in 2011 and 2010.

Financial Highlights – Expenses

The University's total operating expenses increased \$5.2 million from \$130.8 million for fiscal year 2010 to \$136.0 million for fiscal year 2011. The following is an illustration of operating expenses by functional classification for the operating years ended June 30, 2011 and 2010, and comparative amounts for the year ended June 30, 2009 (amounts in thousands):



		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
Percent		41.5%	15.6%	11.5%	10.4%	10.0%	5.4%	2.2%	3.4%

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		2010							
		<u>Instruction</u>	<u>Institutional support</u>	<u>O & M of plant</u>	<u>Student services</u>	<u>Academic support</u>	<u>Depreciation</u>	<u>Student aid</u>	<u>Auxiliary enterprises</u>
Amounts (in thousands)	\$	51,300	22,267	15,682	13,066	12,297	7,743	3,770	4,696
Percent		39.2%	17.0%	12.0%	10.0%	9.4%	5.9%	2.9%	3.6%

		2009							
		<u>Instruction</u>	<u>Institutional support</u>	<u>O & M of plant</u>	<u>Student services</u>	<u>Academic support</u>	<u>Depreciation</u>	<u>Student aid</u>	<u>Auxiliary enterprises</u>
Amounts (in thousands)	\$	51,183	19,381	15,275	13,283	12,286	8,005	2,727	4,184
Percent		40.6%	15.3%	12.1%	10.5%	9.7%	6.3%	2.2%	3.3%

Total operating expenses increased by \$5.2 million, \$4.5 million, and \$4.2 million for the years ended June 30, 2011, 2010, and 2009, respectively. The largest increase 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. Total accumulated depreciation as of June 30, 2011, 2010, and 2009 was \$92.0 million, \$86.7 million, and \$81.2 million, respectively. Depreciation expense was \$7.4 million, \$7.7 million, and \$8.0 million for the years ending June 30, 2011, 2010, and 2009, respectively. The University has adopted a strategy of funding depreciation within its budget process.

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. In 2009, the University completed a Facilities Condition Assessment to evaluate and prioritize its deferred maintenance requirements for all buildings and supporting infrastructure. Additionally, the University completed its Facilities Master Plan in January 2011. The Facilities Master Plan provides a holistic view of current and future building and facilities needs of the University. The Facilities Condition Assessment and Facilities Master Plan have formed the basis of assessing the cost, scope and timeline for which buildings and associated subsystems must be upgraded and/or repaired in order to provide well-maintained facilities. In addition to deferred maintenance needs, the University must fund the infrastructure requirements for sewage, water and other utilities associated with lands acquired for the West Side Campus project. Initial estimates are that approximately \$162 million will be required to complete the deferred maintenance and West Campus Infrastructure for the entire build out of the project. Funding for these projects could come from the State of New Jersey, additional bond issues, and/or private fundraising or grants.

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In an effort to mitigate the risk of severe emergencies and system failures due to aging infrastructure and buildings, the University identified and prioritized approximately \$30.0 million of critical capital improvements needed to address deferred building and infrastructure maintenance requirements. These capital improvements were derived from the 2009 Facilities Condition Assessment. The University implemented a financing project which culminated in a \$30.0 million bond sale in September 2010 to fund these projects. The University is currently underway in utilizing these funds, focusing on academic spaces first.

During fiscal year 2011, the University recognized an increase in capital assets, net of depreciation totaling \$3.3 million. This increase was primarily attributed to renovations of the Science Building and Rossey Hall as well as the West Campus project. Net additions to capital assets totaling \$4.7 million in fiscal year 2010 consisted of ongoing remediation of the West Campus site, roof repairs for the Professional Studies building and Hepburn Hall, renovations to the Science Building, and window replacement in Fries Hall Construction in progress, net additions totaling \$4.9 million in fiscal year 2009 consisted of renovations to the John J. Moore Athletic Center showers, the Multipurpose Room in the Gilligan Student Union Building, ongoing remediation for the West Campus property, and expansion of the Campus Card program which improves security for students and staff via secure card access and video monitoring for critical areas of the campus. In addition to these large projects that took place during the three fiscal years, the University also completed various smaller department renovations which contributed to the additions of net capital assets.

In September 2010, the University issued \$42.4 million in Revenue Bonds through the New Jersey Educational Facilities Authority consisting of \$24.1 million Series 2010 F tax exempt bonds and \$18.3 million Series 2010 G Build America Bonds. The proceeds of the Bonds will be used to finance the refunding of the Authority's Revenue Bonds, New Jersey City University Issue, Series 1999 B and the costs of building and infrastructure needs which were identified as high-priority items in the 2009 Facilities Condition Assessment.

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 \$141.6 million, \$115.0 million, and \$118.4 million at June 30, 2011, 2010, and 2009, respectively. An institution's ratio of unrestricted financial resources to debt is a key indicator of financial strength. The University's ratio was 23%, 25%, and 23% as of June 30, 2011, 2010, and 2009, respectively. Additionally, the University's ratio of debt to total capitalization which is an indication of capacity to support additional debt, at June 30, 2011, 2010, and 2009 was 59%, 54%, and 55%, respectively.

Economic Factors that could affect the Future

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 \$26.06 million. Despite rising operating costs, level appropriation funding compared to prior year, and the ongoing need to generate additional revenues, the University continues 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 by supplementing a 4% tuition increase for the fiscal year with approximately \$3.5 million in operating expense reductions.

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Despite the prevailing national and local fiscal challenges, the overall outlook for both graduate and undergraduate enrollment remains stable. However, although the University has produced a balanced budget for the fiscal year, there is still a high degree of uncertainty in the State's financial support to higher education institutions as well as the outcome of ongoing contract negotiations with the collective bargaining units. The University will continue to monitor developments related in these areas as they may have significant impact on fiscal stability moving forward.

Despite the challenges brought on by the ongoing uncertainty in the national and state economy, the University will continue efforts to maintain its buildings and infrastructure. Consequently, efforts are still in progress to implement the maintenance and capital renewal recommendations presented in the Deferred Maintenance Study completed in fiscal year 2009. These high-priority projects will be funded via approximately \$30 million bonds issued through the New Jersey Educational Facilities Authority (NJEFA) in September 2010. In the absence of State support for capital expenditures, the University recognized and acted on the need to issue this additional debt to address the highest priority deferred maintenance needs.

The University's mission and strategic goals are the central drivers of its fiscal planning. In light of trends in declining State support and rising costs, emphasis remains on allocating limited resources to mission-critical initiatives.

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Statements of Net Assets

Business-Type Activities – University Only

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 3,508,731	14,023,002
Investments, current portion	15,118,940	13,905,973
Student receivables, net of allowance of \$3,365,000 and \$3,625,000 in 2011 and 2010, respectively	2,914,672	2,600,289
Grants receivables	1,076,107	1,659,369
Other receivables	3,571,159	2,332,185
Restricted deposits held with bond trustees	6,872,920	6,782,361
Total current assets	33,062,529	41,303,179
Noncurrent assets:		
Restricted deposits held with bond trustees	34,170,561	11,208,143
Investments, noncurrent portion	19,917,634	9,751,456
Student loans, net of allowance of \$864,000 and \$884,000 in 2011 and 2010, respectively	683,685	670,439
Deferred financing costs, net	2,292,029	3,015,320
Capital assets, net of accumulated depreciation of \$92,055,000 and \$86,758,000 in 2011 and 2010, respectively	174,070,758	170,745,972
Total noncurrent assets	231,134,667	195,391,330
Total assets	264,197,196	236,694,509
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses:		
Vendor	5,792,621	5,055,273
Payroll	3,220,910	2,916,321
Compensated absences, current portion	4,334,382	4,383,988
Accrued interest	3,369,213	2,721,684
Total accounts payable and accrued expenses	16,717,126	15,077,266
Long-term debt, current portion	3,123,751	4,358,700
Deferred student tuition and fees	1,444,627	1,538,873
Deferred grant revenue	404,694	412,067
Total current liabilities	21,690,198	21,386,906
Noncurrent liabilities:		
Long-term debt, noncurrent portion	138,501,477	110,688,401
Other noncurrent liabilities	7,030,401	6,923,105
Total noncurrent liabilities	145,531,878	117,611,506
Total liabilities	167,222,076	138,998,412
Net Assets		
Invested in capital assets, net of related debt	59,885,399	60,458,343
Restricted for:		
Expendable:		
Renewal and replacement	1,086,160	2,850,390
Debt service reserve	658,040	1,956,940
Debt service – principal	2,290,000	3,491,783
Perkins loans	187,618	170,410
Unrestricted	32,867,903	28,768,231
Total net assets	\$ 96,975,120	97,696,097

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, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 397,528	800,884
Unconditional promises to give, net of unamortized discount	610,329	717,911
Contributions receivable, charitable remainder annuity trust	1,083,691	963,411
Other receivables	25,466	22,048
Due from New Jersey City University	121,202	11,418
Investments	4,983,808	4,203,255
Restricted investments	565,159	490,146
Prepaid expenses	7,117	29,678
Gift annuities	200,206	150,057
Other assets	94,463	59,426
Computer equipment, net of accumulated depreciation of \$22,593 and \$18,935 in 2011 and 2010, respectively	22,420	6,450
Total assets	\$ 8,111,389	7,454,684
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 46,850	44,725
Due to New Jersey City University	320,685	364,610
Security deposits	9,190	8,165
Annuities payable	24,184	33,711
Total liabilities	400,909	451,211
Net assets:		
Unrestricted:		
Operating	524,800	777,622
Board designated	416,375	357,815
Computer equipment	22,420	6,450
Total unrestricted net assets	963,595	1,141,887
Temporarily restricted	4,414,284	3,636,369
Permanently restricted	2,332,601	2,225,217
Total net assets	7,710,480	7,003,473
Total liabilities and net assets	\$ 8,111,389	7,454,684

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, 2011 and 2010

	2011	2010
Operating revenues:		
Student revenue:		
Tuition and fees	\$ 76,353,583	72,004,765
Auxiliary enterprises	7,011,627	6,898,821
Less scholarship allowance	(28,993,471)	(26,546,006)
Total student revenue, net	54,371,739	52,357,580
Federal grants	21,725,179	18,619,272
State of New Jersey grants	12,175,037	10,681,991
Private and other grants	45,073	7,837
Other operating revenues	2,762,181	2,912,553
Total operating revenues	91,079,209	84,579,233
Operating expenses:		
Instruction	56,373,299	51,300,270
Academic support	13,599,566	12,296,561
Student services	14,100,473	13,065,873
Institutional support	21,263,025	22,267,414
Operation and maintenance of plant	15,630,814	15,682,111
Auxiliary enterprises	4,585,129	4,696,359
Student aid	3,034,790	3,769,857
Depreciation	7,386,405	7,742,815
Total operating expenses	135,973,501	130,821,260
Operating loss	(44,894,292)	(46,242,027)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	27,090,000	31,423,365
State of New Jersey fringe benefit appropriations	21,264,496	19,905,537
Gifts to affiliates	(873,002)	(645,298)
Investment income	356,911	153,878
Interest expense	(5,075,686)	(5,474,718)
Loss on disposal of capital assets	(137,811)	(14,832)
Other nonoperating income	1,008,369	284,284
Net nonoperating revenues	43,633,277	45,632,216
Loss before other revenues	(1,261,015)	(609,811)
Other revenues:		
Capital grants and gifts	540,038	1,837,652
(Decrease) increase in net assets	(720,977)	1,227,841
Net assets as of beginning of year	97,696,097	96,468,256
Net assets as of end of year	\$ 96,975,120	97,696,097

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	271,269	103,170	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	7,446	1,194	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 FOUNDATION, INC.
(A Component Unit of New Jersey City University)

Statement of Activities
Year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenues:				
Support from public contributions	\$ 162,542	429,937	48,179	640,658
Development grants and contracts	1,000	111,043	—	112,043
Contributed services and facilities	645,298	—	—	645,298
Interest and dividend income	19,468	131,599	—	151,067
Rental income	162,830	—	—	162,830
Credit card commissions	6,657	—	—	6,657
Special events	53,380	76,507	—	129,887
Other income	851	13,838	21,648	36,337
Fair value adjustment of charitable remainder annuity trust	—	105,473	—	105,473
Appreciation in fair value of investments	8,959	434,400	—	443,359
Net assets released from restrictions in satisfaction of program restrictions	270,947	(270,947)	—	—
Total support and revenues	<u>1,331,932</u>	<u>1,031,850</u>	<u>69,827</u>	<u>2,433,609</u>
Expenses:				
Program services	809,449	—	—	809,449
Management and general	424,458	—	—	424,458
Fundraising	477,585	—	—	477,585
Special events	27,090	—	—	27,090
Total expenses	<u>1,738,582</u>	<u>—</u>	<u>—</u>	<u>1,738,582</u>
(Decrease) increase in net assets	(406,650)	1,031,850	69,827	695,027
Net assets as of beginning of year	<u>1,548,537</u>	<u>2,604,519</u>	<u>2,155,390</u>	<u>6,308,446</u>
Net assets as of end of year	<u>\$ 1,141,887</u>	<u>3,636,369</u>	<u>2,225,217</u>	<u>7,003,473</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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Student receipts	\$ 48,235,468	49,242,694
Grants and contracts	33,998,930	29,246,583
Payments for salaries and benefits	(84,472,033)	(77,769,584)
Payments to suppliers	(13,462,651)	(14,828,726)
Payments for utilities	(4,125,164)	(3,463,205)
Payments to students	(3,034,790)	(4,326,548)
Loans issued to students	(129,453)	(140,245)
Collection of loans from students	132,723	50,077
Auxiliary enterprises	4,862,526	4,742,872
Other receipts	2,710,072	3,147,116
Net cash used by operating activities	(15,284,372)	(14,098,966)
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	27,090,000	31,423,365
Net cash provided by noncapital financing activities	27,090,000	31,423,365
Cash flows from capital financing activities:		
Proceeds from capital debt	42,477,951	328,369
Defeasement of debt	(11,084,100)	—
Capital grants and gifts	1,062,286	1,529,463
Purchase of capital assets	(9,121,772)	(4,791,131)
Bond issuance costs	(289,559)	—
Principal paid on capital debt	(4,284,824)	(3,645,233)
Interest paid on capital debt	(5,483,515)	(5,501,297)
Deposits held with bond trustees	4,588,583	(529,404)
Deposits made with bond trustees	(30,739,066)	—
Net cash used by capital financing activities	(12,874,016)	(12,609,233)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	27,735,193	25,286,953
Purchases of investments	(39,059,758)	(31,260,246)
Interest on investments	1,878,682	949,694
Net cash used by investing activities	(9,445,883)	(5,023,599)
Net decrease in cash and cash equivalents	(10,514,271)	(308,433)
Cash and cash equivalents as of beginning of year	14,023,002	14,331,435
Cash and cash equivalents as of end of year	\$ 3,508,731	14,023,002
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (44,894,292)	(46,242,027)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Provision for bad debts	630,028	779,485
Amortization expense	192,392	224,043
State of New Jersey paid fringe benefits expense	21,382,547	20,181,821
Depreciation expense	7,386,405	7,742,815
Changes in assets and liabilities:		
Receivables	(1,224,565)	1,196,436
Other liabilities, current and noncurrent	362,279	1,367,606
Accounts payable and accrued expenses	982,453	626,691
Deferred revenue	(101,619)	24,164
Net cash used by operating activities	\$ (15,284,372)	(14,098,966)
Noncash transactions:		
Gifts made	\$ 873,002	645,298
State of New Jersey paid fringe benefits	21,382,547	20,181,821

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, 2011 and 2010

(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 thirteen 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, 2011 and 2010

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 as cash equivalents, resources 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 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, 2011 and 2010

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. 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	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, as they have a short estimated useful life.

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 when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants

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

Notes to Financial Statements

June 30, 2011 and 2010

for which 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, net investment income, interest expense, 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

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, 2011 and 2010 was \$3,508,731 and \$14,023,002, respectively, while the amount on deposit with banks was \$5,900,759 and \$7,663,841, 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, 2011 and 2010 were partially insured by Federal Depository Insurance in the amount of \$250,000 respectively. Bank balances in excess of insured amounts of \$5,650,759 in 2011 and \$7,413,841 in 2010, are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes.

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

Notes to Financial Statements

June 30, 2011 and 2010

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, 2011 and 2010 were \$73,605 and \$6,086,714, 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
U.S. Treasury notes	\$ 4,027,048	49,664
U.S. Government agencies	5,023,179	6,565,344
Corporate notes and bonds	<u>25,986,347</u>	<u>17,042,421</u>
	35,036,574	23,657,429
Less noncurrent portion	<u>(19,917,634)</u>	<u>(9,751,456)</u>
Investments, current portion	<u>\$ 15,118,940</u>	<u>13,905,973</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, 2011 and 2010, 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, 2011 and 2010

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, 2011 and 2010, the University's investment quality ratings as rated by Moody's were as follows:

<u>Investment type</u>	2011	
	<u>Quality rating</u>	<u>Amount</u>
U.S. Treasury notes	—	\$ 4,027,048
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
		<u>\$ 35,036,574</u>

<u>Investment type</u>	2010	
	<u>Quality rating</u>	<u>Amount</u>
U.S. Treasury notes	—	\$ 49,664
U.S. Government agencies	AAA	6,565,344
Corporate notes and bonds	AA2	60,000
Corporate notes and bonds	A3 – Baa2	16,982,421
		<u>\$ 23,657,429</u>

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
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Notes to Financial Statements

June 30, 2011 and 2010

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, 2011 and 2010:

Investment type	2011			
	Fair value	Investment maturities (in years)		
		Less than 1	1 to 2	Greater than 2
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>

Investment type	2010			
	Fair value	Investment maturities (in years)		
		Less than 1	1 to 2	Greater than 2
U.S. Treasury notes	\$ 49,664	49,664	—	—
U.S. Government agencies	6,565,344	509,844	6,055,500	—
Corporate notes and bonds	17,042,421	13,346,465	3,695,956	—
	<u>\$ 23,657,429</u>	<u>13,905,973</u>	<u>9,751,456</u>	<u>—</u>

(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:

	2011	2010
Money market accounts	\$ 10,585,500	7,434,624
U.S. Treasury notes and government securities	30,457,981	10,555,880
	41,043,481	17,990,504
Less noncurrent portion	(34,170,561)	(11,208,143)
Restricted deposits held with bond trustees, current portion	<u>\$ 6,872,920</u>	<u>6,782,361</u>

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

Notes to Financial Statements

June 30, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010, 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 deposits held with bond trustees maturities as of June 30, 2011 and 2010:

<u>Investment type</u>	2011			
	<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>
Money market accounts	\$ 10,585,500	10,585,500	—	—
U.S. Treasury notes and government securities	30,457,981	30,325,740	132,241	—
	<u>\$ 41,043,481</u>	<u>40,911,240</u>	<u>132,241</u>	<u>—</u>
<u>Investment type</u>	2010			
	<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>
Money market accounts	\$ 7,434,624	7,434,624	—	—
U.S. Treasury notes and government securities	10,555,880	10,311,394	112,250	132,236
	<u>\$ 17,990,504</u>	<u>17,746,018</u>	<u>112,250</u>	<u>132,236</u>

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(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2011 and 2010 follows:

	<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>

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	June 30, 2009	Additions	Reductions	June 30, 2010
Depreciable assets:				
Land improvements	\$ 799,943	24,590	—	824,533
Buildings and building improvements	180,953,844	623,917	—	181,577,761
Equipment and other assets	47,709,009	1,819,895	(2,172,955)	47,355,949
	229,462,796	2,468,402	(2,172,955)	229,758,243
Less accumulated depreciation:				
Land improvements	(724,273)	(45,360)	—	(769,633)
Buildings and building improvements	(49,786,058)	(3,930,075)	—	(53,716,133)
Equipment and other assets	(30,659,254)	(3,767,380)	2,154,484	(32,272,150)
	(81,169,585)	(7,742,815)	2,154,484	(86,757,916)
Total depreciable assets	148,293,211	(5,274,413)	(18,471)	143,000,327
Nondepreciable assets:				
Land	14,487,818	—	—	14,487,818
Construction in progress	10,942,511	4,201,376	(1,886,060)	13,257,827
	\$ 173,723,540	(1,073,037)	(1,904,531)	170,745,972

Estimated costs to complete the projects classified as construction in progress as of June 30, 2011 approximated \$218,000 and are anticipated to be funded primarily from other unrestricted resources. During 2011 and 2010, the University capitalized interest income of \$15,436 and \$4,724, respectively, and interest expense of \$1,430,620 and \$84,383, 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 \$92.0 million and \$86.7 million as of June 30, 2011 and 2010, 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, 2011 and 2010:

	<u>Interest rate</u>	<u>2011</u>	<u>2010</u>
Bonds payable:			
New Jersey Educational Facility Authority Revenue Bonds:			
Series 1977 C Revenue Bonds, due serially to 2010	6.29%	\$ —	580,000
Series 1999 B Revenue Bonds, due serially to 2018	4.40 – 5.00%	—	7,695,000
Series 1999 B Revenue Bonds, due July 1, 2019, 2020, and 2022	4.75 – 5.00%	—	4,625,000
Series 2002 A Revenue Bonds, due serially to 2032	3.00 – 5.00%	1,880,000	2,215,000
Series 2003 B Revenue Bonds, due July 1, 2018	5.45%	1,800,000	2,000,000
Series 2007 F Revenue Refunding Bonds due July 1, 2032	3.00 – 5.00%	17,480,000	17,725,000
Series 2008 E Revenue Refunding Bonds, due July 1, 2035	4.00 – 5.00%	65,650,000	67,075,000
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	—
Series 2010 G Revenue Refunding Bonds, due July 1, 2040	6.19%	18,310,000	—
Total bonds payable		<u>\$ 135,360,000</u>	<u>108,090,000</u>

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	Interest rate	2011	2010
Other long term debt:			
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B	4.13 – 5.75%	\$ 3,608,334	3,875,001
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2001 A and B, net of imputed interest of \$112,307 and \$134,769, respectively	5.00%	275,996	331,195
New Jersey Environmental Infrastructure Trust Loan 2005 A	4.00 – 5.00%	665,000	695,000
New Jersey Environmental Infrastructure Fund Loan 2005 A, net of imputed interest of \$599,293 and \$678,735, respectively	—	1,073,415	1,104,261
Various capital lease obligations	5.00%	642,483	951,644
Total other long term debt		6,265,228	6,957,101
Total long term debt		141,625,228	115,047,101
Less noncurrent portion		(138,501,477)	(110,688,401)
Total long term debt, current portion		\$ 3,123,751	4,358,700

In September 2010, the University issued \$24,065,000 Series 2010 F Revenue Refunding Bonds (interest rates 2.0% to 4.0%) and \$18,310,000 Series 2010 G Revenue Refunding Build America Bonds (interest rate 6.19%) through the NJEFA to finance the advance refunding of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 1999 B in its entirety, the costs of building and infrastructure needs which were identified as high priority items in the 2009 Facilities Condition Assessment, and finance the payment of the costs of issuance of the Series 2010 F and Series 2010 G Bonds. The difference in the cash flows between the old debt and the new debt was \$2,648,944. The economic gain resulting from the refunding was \$2,492,466. The deferred loss on refunding of approximately \$531,000 was capitalized and recorded in deferred financing costs in the accompanying statements of net assets as of June 30, 2011.

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, 2011 and 2010, the net present value of the aggregate capitalized lease obligation associated with these agreements, which

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excludes future interest payments, is \$642,483 and \$951,644, respectively. The fiscal year 2011 and 2010 payments for these capitalized lease obligations were \$412,131 and \$326,773, respectively.

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, 2011:

	Principal	Interest
Year ending June 30:		
2012	\$ 3,123,751	6,384,869
2013	2,988,520	6,602,019
2014	3,238,059	6,477,095
2015	4,702,214	6,348,589
2016	4,903,876	6,190,519
2012 – 2016 subtotal	18,956,420	32,003,091
2017 – 2021	26,626,070	27,910,901
2022 – 2026	25,450,206	22,174,095
2027 – 2031	26,824,609	16,396,605
2032 – 2036	28,885,000	9,371,583
2037 – 2041	14,882,923	2,080,051
	\$ 141,625,228	109,936,326

(6) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2011 and 2010:

	June 30, 2010	Additions	Reductions	June 30, 2011	Current portion
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	6,481,637	250,284	(235,464)	6,496,457	4,334,382
Total noncurrent liabilities	\$ 126,354,194	42,773,294	(16,137,477)	152,990,011	7,458,133

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	<u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2010</u>	<u>Current portion</u>
Long-term debt	\$ 118,363,965	328,369	(3,645,233)	115,047,101	4,358,700
Other noncurrent liabilities:					
Pollution remediation obligation	4,305,473	—	—	4,305,473	—
U.S. government grants refundable	530,169	—	(10,186)	519,983	—
Compensated absences	5,484,457	1,054,215	(57,035)	6,481,637	4,383,988
Total noncurrent liabilities	<u>\$ 128,684,064</u>	<u>1,382,584</u>	<u>(3,712,454)</u>	<u>126,354,194</u>	<u>8,742,688</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. During fiscal year 2010, the West Side Campus remediation plans were finalized, resulting in the finalization of the scope and related costs of the remediation efforts. These plans encompassed seven subdivision blocks with ten structures. It was determined additional outlays of \$12.6 million would be necessary to prepare the land for its originally intended purpose based on this West Side Campus plan. During fiscal year 2011, the short term site redevelopment of the project was significantly reduced, resulting in revised calculations for pollution remediation costs of approximately \$9.7 million for the commitment to Phase 1, Option 1 of the project which encompasses three subdivision blocks and three structures. The reduction in the estimated liability is attributable to costs planned for roadways, sidewalks, backfill, clean fill, landscaping and foundations under the original plan that are now being deferred for possible future implementation. These costs will be absorbed as part of vertical construction of the West Side Campus site. Management expects to capitalize

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the estimated outlays to prepare the land for its originally intended purpose as goods and services are acquired. The remediation efforts are currently in progress.

(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 defined benefit plan. 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. 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 5.5% of their annual covered salary for the years ended June 30, 2011 and 2010 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 2011 or 2010 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, 2011 and 2010, ABP received employer and employee contributions that approximated the following from the University:

	2011	2010
Employer contribution	\$ 3,468,000	3,182,000
Employee contribution	2,167,000	1,988,000
Basis for contributions:		
Participating employee salaries	43,347,000	39,769,000

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.

(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.

(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, 2011 and 2010, such benefits amounted to approximately \$21.3 million and \$19.9 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 \$6,496,457 and \$6,481,637 as of June 30, 2011 and 2010, 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 \$56,000 and \$24,100 in sick-leave payments for employees who retired during the years ended June 30, 2011 and 2010, respectively.

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(12) 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. 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.

(13) 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, 2011 and 2010, the Foundation distributed \$528,284 and \$270,947 respectively, to the University in the form of scholarships and program support. The University contributed \$873,002 and \$645,298 in services and facilities for the years ended June 30, 2011 and 2010, respectively.

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

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.

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(14) 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).

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.