



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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2013 and 2012

(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:

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

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

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

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 the University as of June 30, 2013 and 2012, and the respective changes in financial position and, where



applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

October 9, 2013

NEW JERSEY CITY UNIVERSITY
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Management's Discussion and Analysis

June 30, 2013 and 2012

Introduction

This section of the financial statements presents management's discussion and analysis of New Jersey City University's (the University) financial performance for the years ended June 30, 2013 and 2012, and comparative amounts for the year ended June 30, 2011. This section is designed to assist readers in understanding the accompanying financial statements, and therefore, should be read in conjunction with the financial statements and the related footnote disclosures.

University Overview

Since its charter by the New Jersey Legislature in 1927, the University continues to evolve as a reputable institution of higher learning. Although the University was founded as a teacher training institution, its subsequent dynamic growth has been based on its energetic and creative response to public demands for new educational programs. While the University's location in the urban center of northeastern New Jersey provides students with the varied cultural and intellectual stimulation of a city, the campus has retained a quiet atmosphere for study, and a size conducive to a strong relationship between students and faculty which enhances learning. The University's student body is drawn from a broad population base which includes the high school graduate pursuing a four-year degree, 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. Currently, the University offers 41 Baccalaureate Degree Programs in the Arts and Sciences, Professional Studies and Teacher Education. The Graduate Studies Program offers 29 Masters Degree, Doctoral Degree, and diploma programs. New doctoral degree programs have been developed in Civil Security Leadership, Management and Policy (D.Sc.) and Educational Technology Leadership (Ed.D.) as well as online versions of current degree programs such as accounting, national security studies, health sciences, special education, educational leadership, and educational technology.

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

Financial Statements

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

GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities requiring that financial statements be presented with the focus placed on the University as a whole. GASB Statement No. 61, *The Financial Reporting Entity, Omnibus an amendment of GASB Statements No. 14 and No. 34*, establishes criteria for assessing whether certain organizations should be reported as a component unit of the financial reporting entity and has resulted in the inclusion of the Foundation in the University's financial statements.

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Statement of Net Position

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

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

Net position is the residual interest in the University's assets after the liabilities are deducted. Net position is classified into three categories: net investment in capital assets, expendable restricted net position, and unrestricted net position. The first category, net investment in capital assets, reflects the equity in capital assets that the University owns. Expendable restricted net position 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 position, is available for the general purpose and/or operational needs of the University.

A summary of the University's assets, liabilities and net position at June 30, 2013 and 2012, and comparative amounts at June 30, 2011 are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
		(In millions)	
Assets:			
Current assets	\$ 53.9	57.5	33.1
Noncurrent assets:			
Capital assets	192.1	177.5	174.1
Other assets	40.2	33.1	57.0
Total assets	<u>\$ 286.2</u>	<u>268.1</u>	<u>264.2</u>
Liabilities:			
Current liabilities	\$ 30.6	25.6	21.7
Noncurrent liabilities	149.7	142.7	145.5
Total liabilities	<u>\$ 180.3</u>	<u>168.3</u>	<u>167.2</u>

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	2013	2012	2011
	(In millions)		
Net position:			
Net investment in capital assets	\$ 55.9	56.2	59.9
Restricted for expendable:			
Renewal and replacement	1.4	1.2	1.1
Debt service reserve	0.7	0.7	0.6
Debt service – principal	2.4	2.4	2.3
Perkins loans	0.2	0.2	0.2
Unrestricted	45.3	39.1	32.9
Total net position	\$ 105.9	99.8	97.0

Statement of Net Position – Financial Highlights

As of June 30, 2013, the University's total assets increased by \$18.1 million to \$286.2 million from \$268.1 million as of June 30, 2012. This change is primarily attributable to an increase of \$13.1 million in other receivables and \$9.5 million of investments. The \$13.1 million increase in other receivables is primarily attributable to the New Jersey Environmental Infrastructure Trust (NJEIT) 2013A loan for \$13.6 million. This loan will be used for the remediation and infrastructure work on the University's West Campus. The \$9.5 million increase in investments is attributable to additional investments purchased during the year. In addition to the net increases in other receivables and investments, the University recognized an increase of \$14.6 million in net capital assets which is attributed to \$6.3 million of fixed asset purchases and \$20.1 million of additions to construction in progress that exceeded annual depreciation expense of \$7.2 million. These additions to net capital assets are offset by a \$15.1 million decrease in deposits held with bond trustees which funded the construction in progress costs incurred.

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

As of June 30, 2013, the University's total liabilities increased by \$12.0 million to \$180.3 million from \$168.3 million as of June 30, 2012. This change is primarily attributable to an increase in long-term debt of \$11.6 million related to the NJEIT 2013A loan received during the year, net of annual principal payments made.

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

The University's current ratio measures the institution's ability to satisfy current obligations as they come due. The University's current ratio was 1.8, 2.2, and 1.5 as of June 30, 2013, 2012, and 2011, 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 and is calculated by dividing the University's unrestricted net assets by total operating expenses. The University's unrestricted financial resource ratio was 33.1%, 28.9%, and 24.3% as of June 30, 2013, 2012, and 2011, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

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

The Statement of Revenues, Expenses, and Changes in Net Position is categorized into three sections: operating revenues, operating expenses, and net nonoperating revenues (expenses). The net difference between operating and nonoperating revenues and expenses results in an increase or decrease in the University's net position. The change in net position 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 are not provided in exchange for such revenue. The State of New Jersey appropriation and interest income are classified as nonoperating revenue. Nonoperating expenses consist of interest expense and gifts to the New Jersey City University Foundation. For the year ended June 30, 2013, the Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of \$6.1 million. The following is the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2013 and 2012, and comparative amounts for the year ended June 30, 2011:

	2013	2012	2011
		(In millions)	
Operating revenues:			
Student revenue (less scholarships)	\$ 61.6	56.1	54.0
Grants and contracts	34.7	35.5	34.0
Other	2.4	2.5	2.8
	98.7	94.1	90.8
Total operating revenues			

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	<u>2013</u>	<u>2012</u>	<u>2011</u>
		(In millions)	
Operating expenses:			
Instruction	\$ 55.8	56.0	56.3
Research and programs	0.1	0.1	0.1
Academic support	13.7	13.6	13.6
Student services	15.4	14.4	14.1
Institutional support	22.8	22.1	20.9
Operation and maintenance of plant	14.8	14.8	15.6
Auxiliary enterprises	5.0	4.7	4.6
Student aid	1.9	2.4	3.0
Depreciation	7.2	7.4	7.4
Total operating expenses	<u>136.7</u>	<u>135.5</u>	<u>135.6</u>
Operating loss	<u>(38.0)</u>	<u>(41.4)</u>	<u>(44.8)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	26.1	26.1	27.1
State of New Jersey fringe benefit appropriations	22.1	22.0	21.3
Investment income	0.5	1.4	1.6
Unrealized and realized loss on investments	(1.0)	(1.0)	(1.3)
Interest expense	(4.9)	(5.0)	(5.1)
Other nonoperating revenues (expenses)	1.1	0.3	—
Net nonoperating revenues	<u>43.9</u>	<u>43.8</u>	<u>43.6</u>
Capital grants and gifts	<u>0.2</u>	<u>0.4</u>	<u>0.5</u>
Increase (decrease) in net position	6.1	2.8	(0.7)
Net position, beginning of year	<u>99.8</u>	<u>97.0</u>	<u>97.7</u>
Net position, end of year	<u>\$ 105.9</u>	<u>99.8</u>	<u>97.0</u>

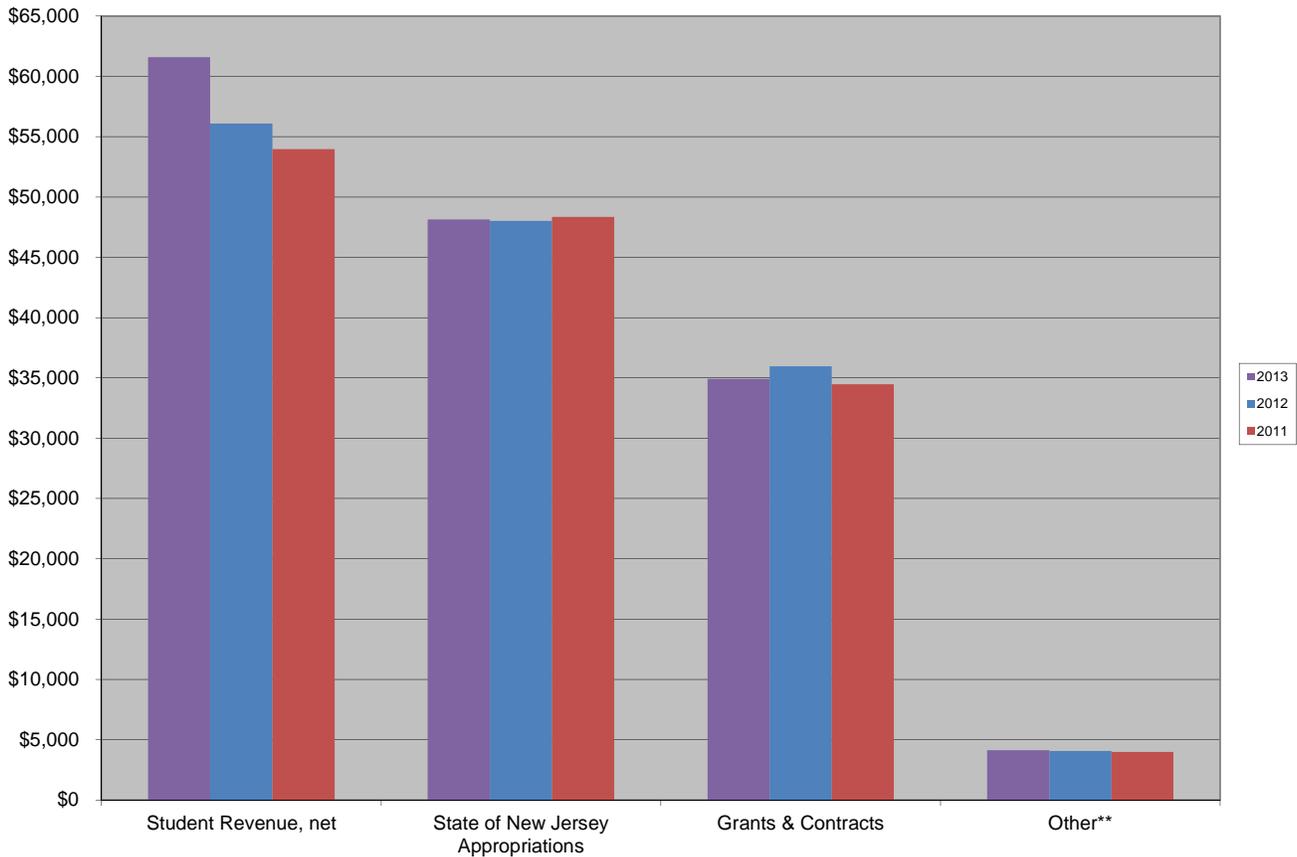
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Management's Discussion and Analysis

June 30, 2013 and 2012

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, 2013 and 2012, and comparative amounts for the year ended June 30, 2011 (amounts in thousands):



** Other consists of Other Operating Revenue, Investment Income, Unrealized/Realized Investment gains (losses), Gain (loss) on disposal of capital assets, Other Nonoperating Income.

	2013			
	<u>Student revenue, net</u>	<u>State of New Jersey appropriations</u>	<u>Grants and contracts</u>	<u>Other revenues</u>
Amounts (in thousands)	\$ 61,603	48,142	34,925	4,134
Percent	41.4%	32.4%	23.4%	2.8%

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		2012			
		State of			
		Student revenue, net	New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	\$	56,099	48,030	35,965	4,082
Percent		38.9%	33.3%	25.0%	2.8%
		2011			
		State of			
		Student revenue, net	New Jersey appropriations	Grants and contracts	Other revenues
Amounts (in thousands)	\$	53,969	48,354	34,485	3,990
Percent		38.3%	34.3%	24.6%	2.8%

For 2013, 2012, and 2011, 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 consist of funding appropriated by State legislature as well as employee FICA and fringe expenses paid by the State. For the fiscal years ending June 30, 2013, 2012, and 2011 state appropriations remained flat at approximately \$48 million.

Total student revenue, net, for fiscal years ending June 30, 2013, 2012, and 2011 were \$61.6 million, \$56.1 million, and \$54.0 million, respectively. This comprised 41.4%, 38.9%, and 38.3% of the revenue received by the University for the fiscal years ending June 30, 2013, 2012, and 2011, respectively. Tuition rates were increased by 4% for the academic years beginning in fall 2012, 2011, and 2010, respectively. In addition, during fiscal year 2013 the University Student Government Organization was officially dissolved as a separate 501(c) 3 Organization. This resulted in the transfer and recognition of approximately \$1.8 million of student activity fees and student organization revenue by the University.

For the year ended June 30, 2013, 2012, and 2011, revenues from grants and contracts were \$34.9 million, \$35.9 million, and \$34.5 million, respectively. The major Federal grant programs include Pell, Increasing the Number of Latinos in Nursing and Health Information Management, Strengthening Institutions - Hispanic Serving Institutions, and Opening the Gate: Improving Mathematics Success for STEM Careers, among others. Major State of New Jersey grant programs include the Tuition Aid Grant (TAG), Educational Opportunity Fund, and Youth Corps. The University's Pell grant decreased by \$1.5 million in fiscal year 2013 and increased by \$1.3 million and \$2.6 million in fiscal years 2012 and 2011, respectively. The NJ State TAG grant increased by \$0.8 million, \$0.3 million, and \$1.7 million in fiscal years 2013, 2012, and 2011, respectively.

Investment income for fiscal years 2013, 2012, and 2011 was \$0.5 million, \$1.4 million, and \$1.6 million, respectively. Investment income has fluctuated significantly over the last fiscal year due to the timing of investment maturities and the current market environment. There were no significant bond maturities in 2013 and 2012.

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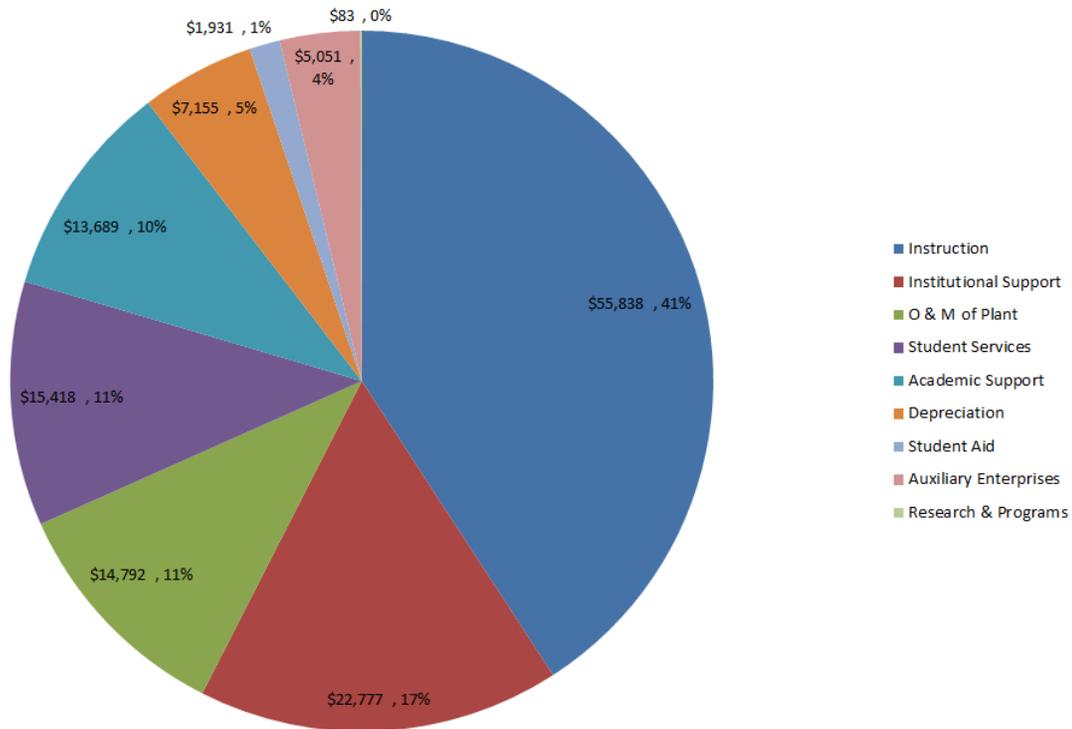
Management's Discussion and Analysis

June 30, 2013 and 2012

Financial Highlights – Expenses

The University's total operating expenses increased \$1.2 million from \$135.5 million for fiscal year 2012 to \$136.7 million for fiscal year 2013. The following is an illustration of operating expenses by functional classification for the operating years ended June 30, 2013, 2012, and 2011 (amounts in thousands):

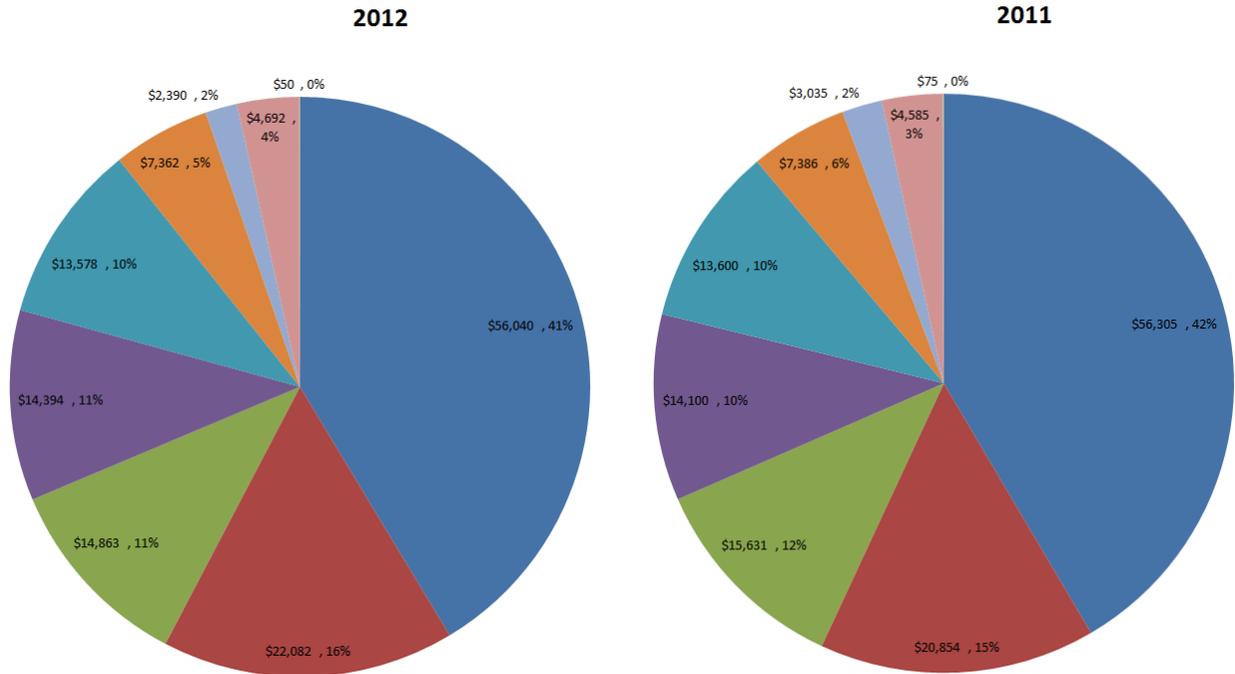
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In 2013 the University's student services recognized the largest increase of \$1.0 million in operating expenses. This increase is primarily attributed to the official dissolution of the University's Student Government Organization (SGO) as a separate 501(c)(3) entity. The SGO student activity fees are now reflected in tuition and fees and SGO expenditures are reflected in student services.

In 2012 and 2011 the largest increase in operating expenses is reflected in the University's instruction expense. This increase is due to increases in salary and benefits for the instructional staff mandated by contractual obligations. In addition, depreciation expense was \$7.2 million for the year ending June 30, 2013 and \$7.4 million for the years ending June 30, 2012 and 2011. The University has adopted a strategy of funding depreciation within its budget process. Budgeted depreciation amounts are used to fund capital expenditures for the fiscal year.

Capital and Debt Activities

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

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Capital additions totaling \$20.1 million in fiscal year 2013 consisted of major Capital Renewal Projects which began in fiscal year 2011. These projects include renovations and improvements to campus buildings and related subsystems. The projects are separated into two phases to work on buildings that require immediate attention first. Phase I includes the renovation to the following buildings: Fries Hall, Gilligan Student Union, Professional Studies, Rossey Hall, Science, Visual Arts, and Vodra Hall. Buildings scheduled for Phase II renovation include: Facilities and Construction, which also houses the University's Secondary Data Center, the Co-op Dormitory, Hepburn Hall, Guarini Library, University Charter High School, John Moore Athletic and Fitness Center, and the Karnoutsos Hall. As of June 30, 2013, the University has completed approximately 75% of these improvements.

Technology at the University continues to significantly impact students, faculty, and staff. During the past year capital funding was provided to support teaching, learning, administration, and communications. This level of support is consistent with the initiatives outlined in the Strategic Plan for Information Technology. The University also continued its Technology Replacement Program to ensure that technology across the campus is current and relevant. In addition, maintenance of the University's enterprise information systems continued with the successful upgrade of the Financials systems. These initiatives were essential and allow continued delivery of quality administrative tools and services to students, faculty, and staff.

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

Moody's Investors Service and Fitch Ratings Services have assigned debt ratings of "A2" and "A", respectively, to the University. Bonds that are rated "A" possess many favorable attributes and are considered upper-medium-grade obligations. Factors providing security to principal and interest are considered adequate.

Long-term debt totaled \$150.4 million, \$138.8 million, and \$141.6 million at June 30, 2013, 2012, and 2011, respectively. An institution's ratio of unrestricted financial resources to debt is a key indicator of financial strength. The University's ratio was 30%, 28%, and 23% as of June 30, 2013, 2012, and 2011, respectively. Additionally, the University's ratio of debt to total capitalization which is an indication of capacity to support additional debt, at June 30, 2013, 2012, and 2011 was 59%, 58%, and 59%, respectively.

Economic Factors that Could Affect the Future

In fiscal year 2013, total State of New Jersey appropriation to the University remain unchanged at the fiscal year 2012 level of \$26.0 million. Consistent with prior years, the University remains committed to preserving affordable tuition while maintaining the integrity of the academic programs. Consequently, the University has undertaken a zero-based budget initiative for fiscal year 2014 which assists in prioritizing and aligning revenues with expenses with our strategic objectives while limiting tuition and fee increases to 2.2% for fiscal year 2014.

As of result of the Building Our Future Bond Act which was enacted by the State of New Jersey in Fiscal Year 2013, the University was awarded \$34.6 million in State capital support (\$866,789 – Information Technology Upgrade, \$1,718,215 – Instructional Technology Upgrade, \$32,000,000 – Science Building Addition and Renovation). This infusion of capital funds will assist the University to fill critical technology, classroom and laboratory needs, while reducing fee increment to cover the related cost.

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The University continues its efforts to maintain campus buildings and infrastructure. Remediation of the West Campus site has commenced and the physical cleanup is expected to be completed by January 2014. Additionally, other major projects are continuing as we work towards completing high priority building and infrastructure projects that are funded via the Facilities Fee and approximately \$30 million in bonds issued through the New Jersey Educational Facilities Authority (NJEFA).

The University's mission and strategic goals remain the central drivers of its fiscal planning. While State support for ongoing operating expenses remains flat compared to the prior year, the University has implemented a zero-based budget process to improve prioritization and allocation of available funds. Consequently, the University's emphasis remains on allocating resources to mission critical initiatives despite rising costs and competing demands for limited resources.

NEW JERSEY CITY UNIVERSITY
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Statements of Net Position

Business-Type Activities – University Only

June 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 4,053,235	7,421,821
Investments, current portion	18,935,402	32,709,672
Student receivables, net of allowance of \$4,032,000 and \$3,808,000 in 2013 and 2012, respectively	3,190,378	2,849,073
Grants receivables	1,009,212	1,905,925
Other receivables	17,371,114	4,221,850
Restricted deposits held with bond trustees	9,316,343	8,342,740
Total current assets	53,875,684	57,451,081
Noncurrent assets:		
Restricted deposits held with bond trustees	10,561,915	26,681,516
Investments, noncurrent portion	27,009,106	3,701,465
Student loans, net of allowance of \$849,000 and \$877,000 in 2013 and 2012, respectively	703,717	702,933
Deferred financing costs, net	1,916,396	2,104,212
Capital assets, net of accumulated depreciation of \$105,144,000 and \$98,639,000 in 2013 and 2012, respectively	192,134,294	177,451,334
Total noncurrent assets	232,325,428	210,641,460
Total assets	286,201,112	268,092,541
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses:		
Vendor	9,364,709	9,767,268
Payroll	3,910,309	3,713,107
Compensated absences, current portion	4,225,866	4,184,769
Accrued interest	3,231,422	3,313,044
Other current liabilities	4,305,473	—
Total accounts payable and accrued expenses	25,037,779	20,978,188
Long-term debt, current portion	3,567,571	3,132,459
Unearned student tuition and fees	1,547,539	1,359,010
Unearned grant revenue	456,984	130,009
Total current liabilities	30,609,873	25,599,666
Noncurrent liabilities:		
Long-term debt, noncurrent portion	146,836,153	135,692,886
Other noncurrent liabilities	2,870,155	7,015,568
Total noncurrent liabilities	149,706,308	142,708,454
Total liabilities	180,316,181	168,308,120
Net Position		
Net investment in capital assets	55,871,345	56,215,095
Restricted for:		
Expendable:		
Renewal and replacement	1,357,700	1,221,930
Debt service reserve	658,040	658,040
Debt service – principal	2,455,004	2,365,000
Perkins loans	228,764	200,600
Unrestricted	45,314,078	39,123,756
Total net position	\$ 105,884,931	99,784,421

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, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	\$ 1,164,821	498,021
Unconditional promises to give, net of unamortized discount	1,413,965	1,318,685
Contributions receivable, charitable remainder annuity trust	941,751	972,838
Other receivables	12,476	183,996
Due from New Jersey City University	266,337	244,013
Restricted investments	6,640,883	5,690,711
Prepaid expenses	13,672	36,056
Gift annuities	181,584	188,883
Computer equipment, net of accumulated depreciation of \$28,735 and \$24,947 in 2013 and 2012, respectively	24,570	32,500
Total assets	\$ 10,660,059	9,165,703
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 76,352	36,646
Due to New Jersey City University	205,715	334,339
Annuities payable	31,358	31,411
Total liabilities	313,425	402,396
Net assets:		
Unrestricted:		
Operating	55,466	381,894
Business Development Incubator	203,701	180,273
Board designated	511,289	397,939
Computer equipment	24,570	32,500
Total unrestricted net assets	795,026	992,606
Temporarily restricted	6,652,296	5,347,122
Permanently restricted	2,899,312	2,423,579
Total net assets	10,346,634	8,763,307
Total liabilities and net assets	\$ 10,660,059	9,165,703

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 Position

Business-Type Activities – University Only

Years ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Student revenue:		
Tuition and fees	\$ 84,862,464	80,334,741
Auxiliary enterprises	7,561,557	7,223,849
Less scholarship allowance	(30,820,922)	(31,458,976)
Total student revenue, net	61,603,099	56,099,614
Federal grants	21,713,075	23,246,202
State of New Jersey grants	13,030,253	12,203,300
Private and other grants	16,717	79,298
Other operating revenues	2,382,859	2,485,209
Total operating revenues	98,746,003	94,113,623
Operating expenses:		
Instruction	55,837,720	56,039,941
Research and programs	83,162	49,545
Academic support	13,689,500	13,577,804
Student services	15,418,417	14,394,492
Institutional support	22,777,255	22,081,883
Operation and maintenance of plant	14,792,040	14,863,152
Auxiliary enterprises	5,050,861	4,691,758
Student aid	1,930,924	2,390,239
Depreciation	7,154,797	7,361,926
Total operating expenses	136,734,676	135,450,740
Operating loss	(37,988,673)	(41,337,117)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	26,056,000	26,056,000
State of New Jersey fringe benefit appropriations	22,085,988	21,973,984
Gifts to affiliates	(1,076,926)	(929,358)
Investment income	533,095	1,407,712
Unrealized and realized loss on investments	(997,333)	(1,024,389)
Interest expense	(4,891,851)	(4,986,518)
Gain (loss) on disposal of capital assets	21,609	(37,231)
Other nonoperating income	2,193,599	1,250,208
Net nonoperating revenues	43,924,181	43,710,408
Income before other revenues	5,935,508	2,373,291
Other revenues:		
Capital grants and gifts	165,002	436,010
Increase in net position	6,100,510	2,809,301
Net position as of beginning of year	99,784,421	96,975,120
Net position as of end of year	\$ 105,884,931	99,784,421

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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenues:				
Support from public contributions	\$ 145,368	724,928	475,733	1,346,029
Development grants and contracts	—	348,727	—	348,727
Contributed services and facilities	1,076,926	—	—	1,076,926
Interest and dividend income	15,111	136,665	—	151,776
Rental income	124,203	—	—	124,203
Special events	237,343	3,465	—	240,808
Other income	817	—	—	817
Fair value adjustment of split interest agreements	—	(40,534)	—	(40,534)
Appreciation in fair value of investments	(153)	581,922	—	581,769
Net assets released from restrictions in satisfaction of program restrictions	449,999	(449,999)	—	—
Total support and revenues	<u>2,049,614</u>	<u>1,305,174</u>	<u>475,733</u>	<u>3,830,521</u>
Expenses:				
Program services	1,209,749	—	—	1,209,749
Management and general	470,196	—	—	470,196
Fundraising	443,256	—	—	443,256
Special events	123,993	—	—	123,993
Total expenses	<u>2,247,194</u>	<u>—</u>	<u>—</u>	<u>2,247,194</u>
(Decrease)/increase in net assets	(197,580)	1,305,174	475,733	1,583,327
Net assets as of beginning of year	<u>992,606</u>	<u>5,347,122</u>	<u>2,423,579</u>	<u>8,763,307</u>
Net assets as of end of year	<u>\$ 795,026</u>	<u>6,652,296</u>	<u>2,899,312</u>	<u>10,346,634</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, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenues:				
Support from public contributions	\$ 375,839	1,444,613	90,978	1,911,430
Development grants and contracts	—	204,743	—	204,743
Contributed services and facilities	929,358	—	—	929,358
Interest and dividend income	388	131,768	—	132,156
Rental income	145,955	—	—	145,955
Special events	42,244	11,613	—	53,857
Other income	640	—	—	640
Fair value adjustment of split interest agreements	—	(127,580)	—	(127,580)
Appreciation in fair value of investments	—	46,483	—	46,483
Net assets released from restrictions in satisfaction of program restrictions	778,802	(778,802)	—	—
Total support and revenues	2,273,226	932,838	90,978	3,297,042
Expenses:				
Program services	1,397,374	—	—	1,397,374
Management and general	421,621	—	—	421,621
Fundraising	364,540	—	—	364,540
Special events	60,680	—	—	60,680
Total expenses	2,244,215	—	—	2,244,215
Increase in net assets	29,011	932,838	90,978	1,052,827
Net assets as of beginning of year	963,595	4,414,284	2,332,601	7,710,480
Net assets as of end of year	\$ 992,606	5,347,122	2,423,579	8,763,307

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, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Student receipts	\$ 56,149,304	50,589,501
Grants and contracts	35,985,356	34,377,113
Payments for salaries and benefits	(85,167,058)	(84,811,867)
Payments to suppliers	(17,418,744)	(12,026,918)
Payments for utilities	(3,651,166)	(3,328,674)
Payments to students	(1,930,924)	(2,390,239)
Loans issued to students	(144,289)	(138,952)
Collection of loans from students	172,099	105,740
Auxiliary enterprises	5,359,917	4,965,713
Other receipts	2,728,091	2,313,844
Net cash used by operating activities	(7,917,414)	(10,344,739)
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	26,056,000	26,056,000
Net cash provided by noncapital financing activities	26,056,000	26,056,000
Cash flows from capital financing activities:		
Proceeds from capital debt	1,160,168	271,070
Capital grants and gifts	155,265	483,194
Purchase of capital assets	(18,762,280)	(7,844,136)
Principal paid on capital debt	(3,147,838)	(3,070,953)
Interest paid on capital debt	(6,547,831)	(6,742,964)
Deposits withdrawn from bond trustees	24,338,994	14,633,829
Deposits made with bond trustees	(9,192,997)	(8,614,605)
Net cash used by capital financing activities	(11,996,519)	(10,884,565)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	62,339,415	24,763,214
Purchases of investments	(72,712,547)	(26,999,500)
Interest on investments	862,479	1,322,680
Net cash used by investing activities	(9,510,653)	(913,606)
Net (decrease) increase in cash and cash equivalents	(3,368,586)	3,913,090
Cash and cash equivalents as of beginning of year	7,421,821	3,508,731
Cash and cash equivalents as of end of year	\$ 4,053,235	7,421,821
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (37,988,673)	(41,337,117)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Provision for bad debts	925,609	1,197,153
Amortization expense	187,817	187,817
State of New Jersey paid fringe benefits expense	22,163,292	22,130,428
Depreciation expense	7,154,797	7,361,926
Insurance claim loss	76,693	—
Changes in assets and liabilities:		
Receivables	603,483	(1,739,663)
Other liabilities, current and noncurrent	398,360	327,751
Accounts payable and accrued expenses	(1,954,296)	1,887,268
Unearned revenue	515,504	(360,302)
Net cash used by operating activities	\$ (7,917,414)	(10,344,739)
Noncash transactions:		
Gifts made	\$ 1,076,926	929,358
State of New Jersey paid fringe benefits	22,163,292	22,130,428

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, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

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

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

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

(b) Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the University conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. 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 position categories.

- *Net investment in capital assets:* 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 position 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.

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

Notes to Financial Statements

June 30, 2013 and 2012

- *Unrestricted:* Net position 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 position is 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.

New Accounting Standards Adopted

In fiscal year 2013, the University adopted three new accounting standards as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (GASB 61), modifies the existing requirements for the assessment of component units that should be included in the financial statements of the University. Implementation of GASB 61 had no effect on the University's net position or changes in net position for the years ended June 30, 2013 and 2012.

GASB Statement No. 62, *Codification of Accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. Implementation of GASB 62 had no material impact on the financial statements for the years ended June 30, 2013 and 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the University's financial statements was the renaming of "Net Assets" to "Net Position," including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

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

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

Notes to Financial Statements

June 30, 2013 and 2012

of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The University classifies resources that are in short-term, highly liquid investments and are readily convertible to known amounts of cash as cash equivalents. These funds mature in three months or less. The University maintains portions of its cash in two funds, a money market account which permits the overnight sweep of available cash balances directly into a short-term investment, and the State of New Jersey Cash Management Fund wherein amounts also contributed by other state entities are combined into a large scale investment program. Both are interest bearing accounts from which the funds are available upon demand.

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 as unrealized and realized gains (losses) on investments.

Restricted Deposits Held with Bond Trustees

Deposits held with bond trustees are recorded in the financial statements at fair value, which is based on quoted market price and consist of cash and cash equivalents, money market accounts, U.S. Treasury notes and government securities. 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 position.

Capital Assets

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

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

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

Deferred Financing Costs

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

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

Notes to Financial Statements

June 30, 2013 and 2012

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 unearned revenue in the accompanying statements of net position.

Grant revenue is comprised mainly of funds received from Federal and State of New Jersey sources and is recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants for which eligibility requirements have not been met under the terms of the agreements are included in unearned revenue in the accompanying statements of net position.

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 position 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 of New Jersey, investment income, and capital grants and gifts.

Income Taxes

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

Financial Dependency

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

Reclassification

Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year's presentation.

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

Notes to Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012 was \$4,053,235 and \$7,421,821, respectively, while the amount on deposit with banks was \$4,951,705 and \$8,768,574, 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, 2013 and 2012 were partially insured by Federal Depository Insurance in the amount of \$250,000 respectively. Bank balances in excess of insured amounts of \$4,701,705 in 2013 and \$8,518,574 in 2012, 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, 2013 and 2012 were \$73,684 and \$73,639, respectively. The Cash Management Fund is unrated and consists of underlying investments with maturities of less than one 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.

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

Notes to Financial Statements

June 30, 2013 and 2012

(b) Investments

Investments consist of the following as of June 30, 2013 and 2012:

	2013	2012
Money market account	\$ 5,000,000	5,000,000
Money market fund	12,299,344	15,002,262
U.S. Treasury notes	—	3,001,680
U.S. government agencies	4,965,050	2,000,052
Corporate notes and bonds	23,680,114	11,407,143
	45,944,508	36,411,137
Less noncurrent portion	(27,009,106)	(3,701,465)
Investments, current portion	\$ 18,935,402	32,709,672

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, 2013 and 2012, the University's investments are 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. 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, 2013 and 2012, the University's investment quality ratings as rated by Moody's were as follows:

Investment type	2013	
	Quality rating	Amount
U.S. government agencies	AAA	\$ 4,965,050
Corporate notes and bonds	AA3	3,077,487
Corporate notes and bonds	AA2	3,617,604
Corporate notes and bonds	A3 – A2	8,083,273
Corporate notes and bonds	Baa2 – Baa1	8,901,750
Money market fund	Not rated	12,299,344
		\$ 40,944,508

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

Notes to Financial Statements

June 30, 2013 and 2012

<u>Investment type</u>	2012	
	<u>Quality rating</u>	<u>Amount</u>
U.S. government agencies	AAA	\$ 2,000,052
Corporate notes and bonds	AA3	3,255,491
Corporate notes and bonds	AA2	3,408,315
Corporate notes and bonds	A3 – A1	4,743,337
Money market fund	Not rated	15,002,262
		<u>\$ 28,409,457</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.

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, 2013 and 2012:

<u>Investment type</u>	2013			
	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 5</u>
Cash and money market accounts	\$ 17,299,344	17,299,344	—	—
U.S. government agencies	4,965,050	—	—	4,965,050
Corporate notes and bonds	23,680,114	1,636,058	3,040,707	19,003,349
	<u>\$ 45,944,508</u>	<u>18,935,402</u>	<u>3,040,707</u>	<u>23,968,399</u>

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

Notes to Financial Statements

June 30, 2013 and 2012

Investment type	2012			
	Fair value	Investment maturities (in years)		
		Less than 1	1 to 2	2 to 5
Cash and money market accounts	\$ 20,002,262	20,002,262	—	—
U.S. Treasury notes	3,001,680	3,001,680	—	—
U.S. government agencies	2,000,052	—	1,000,012	1,000,040
Corporate notes and bonds	11,407,143	9,705,730	1,701,413	—
	<u>\$ 36,411,137</u>	<u>32,709,672</u>	<u>2,701,425</u>	<u>1,000,040</u>

(3) Restricted Deposits Held with Bond Trustees

Restricted deposits held with bond trustees include funds held by The Bank of New York and U.S. 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:

	2013	2012
Money market accounts	\$ 5,854,596	6,420,724
U.S. Treasury notes and government securities	14,023,662	28,603,532
	19,878,258	35,024,256
Less noncurrent portion	(10,561,915)	(26,681,516)
Restricted deposits held with bond trustees, current portion	<u>\$ 9,316,343</u>	<u>8,342,740</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. As of June 30, 2013 and 2012, 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, 2013 and 2012, 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.

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Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table summarizes debt securities held with bond trustees maturities as of June 30, 2013 and 2012:

Investment type	2013			
	Fair value	Investment maturities (in years)		
		Less than 1	1 to 2	More than 2
U.S. Treasury notes and government securities	\$ 14,023,662	14,023,662	—	—
	<u>\$ 14,023,662</u>	<u>14,023,662</u>	<u>—</u>	<u>—</u>
Investment type	2012			
	Fair value	Investment maturities (in years)		
		Less than 1	1 to 2	More than 2
U.S. Treasury notes and government securities	\$ 28,603,532	28,603,532	—	—
	<u>\$ 28,603,532</u>	<u>28,603,532</u>	<u>—</u>	<u>—</u>

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2013 and 2012 follows:

	June 30, 2012	Additions	Reductions	June 30, 2013
Depreciable assets:				
Land improvements	\$ 824,533	9,800	—	834,333
Buildings and building improvements	184,462,560	4,242,816	(6,505)	188,698,871
Equipment and other assets	47,686,074	2,051,820	(651,728)	49,086,166
	<u>232,973,167</u>	<u>6,304,436</u>	<u>(658,233)</u>	<u>238,619,370</u>
Less accumulated depreciation:				
Land improvements	(805,617)	(3,420)	—	(809,037)
Buildings and building improvements	(61,747,006)	(4,165,799)	2,773	(65,910,032)
Equipment and other assets	(36,086,648)	(2,985,578)	647,689	(38,424,537)
	<u>(98,639,271)</u>	<u>(7,154,797)</u>	<u>650,462</u>	<u>(105,143,606)</u>
Total depreciable assets	134,333,896	(850,361)	(7,771)	133,475,764
Nondepreciable assets:				
Land	19,573,363	—	—	19,573,363
Construction in progress	23,544,075	20,125,699	(4,584,607)	39,085,167
	<u>\$ 177,451,334</u>	<u>19,275,338</u>	<u>(4,592,378)</u>	<u>192,134,294</u>

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

Estimated costs to complete the projects classified as construction in progress as of June 30, 2013 approximated \$8.5 million and are anticipated to be funded primarily from bond proceeds, as well as other unrestricted resources. During 2013 and 2012, the University capitalized interest income of \$9,807 and \$36,976, respectively, and interest expense of \$1,678,354 and \$1,732,495, respectively, which is included in construction in progress in the accompanying statements of net position.

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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 \$124.7 million and \$98.9 million as of June 30, 2013 and 2012, respectively, funded by bond proceeds are included in the accompanying statements of net position. The following obligations to the Authority were outstanding as of June 30, 2013 and 2012:

	<u>Interest rate</u>	<u>2013</u>	<u>2012</u>
Bonds payable:			
New Jersey Educational Facility Authority Revenue Bonds:			
Series 2002 A Revenue Bonds, due serially to 2032	3.00 – 5.00%	\$ 1,175,000	1,535,000
Series 2003 B Revenue Bonds, due July 1, 2018	5.45%	1,400,000	1,600,000
Series 2007 F Revenue Refunding Bonds due July 1, 2032	3.00 – 5.00%	16,955,000	17,220,000
Series 2008 E Revenue Refunding Bonds, due July 1, 2035	4.00 – 5.00%	62,625,000	64,165,000
Series 2008 F Revenue Refunding Bonds, due July 1, 2036	6.85%	6,175,000	6,175,000
Series 2010 F Revenue Refunding Bonds, due July 1, 2028	2.00 – 4.00%	24,065,000	24,065,000
Series 2010 G Revenue Refunding Bonds, due July 1, 2040	6.19%	<u>18,310,000</u>	<u>18,310,000</u>
Total bonds payable		<u>130,705,000</u>	<u>133,070,000</u>
Other long term debt:			
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B	4.13 – 5.75%	\$ 3,028,334	3,326,667
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2001 A and B, net of imputed interest of \$67,384 and \$89,846, respectively	5.00%	165,597	220,797
New Jersey Environmental Infrastructure Trust Loan 2005 A	4.00 – 5.00%	600,000	635,000
New Jersey Environmental Infrastructure Fund Loan 2005 A, net of imputed interest of \$455,061 and \$524,775 respectively	—%	996,444	1,040,422
New Jersey Environmental Infrastructure Trust Loan 2013 A	3.00 – 5.00%	3,385,000	—

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	Interest rate	2013	2012
New Jersey Environmental Infrastructure Fund Loan 2013 A	—%	\$ 10,181,049	—
Various capital lease obligations	5.00%	1,342,300	532,459
Total other long term debt		19,698,724	5,755,345
Total long term debt		150,403,724	138,825,345
Less noncurrent portion		(146,836,153)	(135,692,886)
Total long term debt, current portion		\$ 3,567,571	3,132,459

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 3% to 7% charge for interest. As of June 30, 2013 and 2012, the net present value of the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments, is \$1,342,300 and \$532,459, respectively. The fiscal year 2013 and 2012 payments for these capitalized lease obligations were \$350,328 and \$381,094, 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, 2013:

	Principal	Interest	Total
Year ending June 30:			
2014	\$ 3,567,571	6,487,172	10,054,743
2015	5,259,560	6,346,578	11,606,138
2016	5,945,889	6,147,540	12,093,429
2017	5,892,542	5,938,885	11,831,427
2018	5,958,896	5,706,803	11,665,699
2014 – 2018 subtotal	26,624,458	30,626,978	57,251,436
2019 – 2023	31,197,367	24,935,925	56,133,292
2024 – 2028	28,594,812	19,064,833	47,659,645
2029 – 2033	32,104,140	12,403,788	44,507,928
2034 – 2038	26,450,000	4,588,567	31,038,567
2039 – 2041	5,432,947	344,473	5,777,420
	\$ 150,403,724	91,964,564	242,368,288

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(6) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2013 and 2012:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Current portion</u>
Long-term debt	\$ 138,825,345	14,726,217	(3,147,838)	150,403,724	3,567,571
Other noncurrent liabilities:					
Pollution remediation obligation	4,305,473	—	(4,305,473)	—	—
U.S. government grants refundable	601,799	84,494	—	686,293	—
Compensated absences	6,293,065	304,490	(187,827)	6,409,728	4,225,866
Total noncurrent liabilities	<u>\$ 150,025,682</u>	<u>15,115,201</u>	<u>(7,641,138)</u>	<u>157,499,745</u>	<u>7,793,437</u>
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Current portion</u>
Long-term debt	\$ 141,625,228	271,070	(3,070,953)	138,825,345	3,132,459
Other noncurrent liabilities:					
Pollution remediation obligation	4,305,473	—	—	4,305,473	—
U.S. government grants refundable	562,853	38,946	—	601,799	—
Compensated absences	6,496,457	173,938	(377,330)	6,293,065	4,184,769
Total noncurrent liabilities	<u>\$ 152,990,011</u>	<u>483,954</u>	<u>(3,448,283)</u>	<u>150,025,682</u>	<u>7,317,228</u>

(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

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remediated in preparing the land for its originally intended purposes. The estimated cost of the pollution remediation obligation was obtained from a third party contractor, inclusive of anticipated additional costs relating to additional time necessary to complete the remediation, changes in regulatory requirements and any unknown conditions.

The financial impact and effect of the adoption of GASB Statement No. 49 was the recognition of a pollution remediation liability of \$4.3 million as of June 30, 2009. The first phase of the pollution remediation efforts was completed during fiscal year 2012. NJCU has retained the services of a Licensed Site Remediation Professional and Construction Management firm to assist in the second phase of the pollution remediation. The second phase of the remediation efforts commenced during fiscal year 2013 and additional expenditures of approximately \$3.3 million were incurred and capitalized. Additional outlays of approximately \$8.1 million will be necessary to prepare the land for its originally intended purpose. Management expects to capitalize the remaining estimated outlays to prepare the land for its originally intended purpose as goods and services are acquired. Remediation efforts are scheduled to be completed during fiscal year 2014.

(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.

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

PERS Funding Policy

Employees holding classified positions are enrolled into the PERS pension plan. For permanent employees, PERS enrollment begins after the employees complete their probationary period, which is normally four months. All temporary employees must be enrolled after one year of continuous employment. Currently, PERS members are required to contribute 6.6% and 6.5% of their annual covered salary for the years ended June 30, 2013 and 2012, 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 2013 or 2012 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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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.

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, 2013 and 2012, ABP received employer and employee contributions that approximated the following from the University:

	2013	2012
Employer contribution	\$ 3,638,000	3,549,000
Employee contribution	2,274,000	2,218,000
Basis for contribution:		
Participating employee salaries	45,479,000	44,360,000

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

Defined Contribution Retirement Program (DCRP)

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

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The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. Information, including distribution options, is available on Prudential's New Jersey Defined Contribution Program Web site. By law (Chapter 103, P.L. 2007), the DCRP member contribution rate is set at 5.5% and the DCRP employer contribution rate has been set at 3% of base salary. During the years ended June 30, 2013 and 2012, DCRP employer and employee contributions were the following:

	2013	2012
Employer contribution	\$ 4,484	3,390
Employee contribution	8,221	6,216
Basis for contributions:		
Participating employee salaries	149,465	113,015

(9) Contingent Liabilities

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

(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, 2013 and 2012, such benefits amounted to approximately \$22.1 million and \$22.0 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 \$6,409,728 and \$6,293,065 as of June 30, 2013 and 2012, respectively, which is included in compensated absences, current portion and other noncurrent liabilities in the accompanying statements of net position. 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 \$59,000 and \$171,000 in sick-leave payments for employees who retired during the years ended June 30, 2013 and 2012, 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 (DOE). 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, 2013 and 2012, the Foundation distributed \$449,999 and \$778,802, respectively, to the University in the form of scholarships and program support. The University contributed \$1,076,926 and \$929,358 in services and facilities for the years ended June 30, 2013 and 2012, respectively.

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

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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.

During fiscal year 2013, University property and equipment was damaged by Hurricane Sandy. GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. GASB 42 indicates that a capital asset is considered impaired when its service utility has declined significantly and unexpectedly. None of the University's capital assets were impaired as a result of Hurricane Sandy. However, the University recognized capital and noncapital expenditures of approximately \$351,000 relating to the storm. The University's property insurance policy reimbursed the University \$251,000 of the claim, net of the University's \$100,000 deductible. In addition, the University has recognized \$9,700 of FEMA grant revenue during fiscal year 2013 and has an additional \$331,000 of pending claims for additional public assistance with FEMA.