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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)

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

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(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2007 and 2006

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 endeds(a)]TosJd5.5(a)a0i0a05012005. This
understanding the accompanying financial statements, and therefore
financial statements and the related footnote disclosures.

University Overview

Since the date of its charter by the New Jersey Legislature in 1927
reputable institution of higher learning. Although the University was f
subsequent dynamic growth has been based on its energetic and crea
educational programs. While the University's location in the urban cen
the varied cultural and intellectual stimulation of a city, the campus l
and a size conducive to a strong relationship between students and fa
30 degree programs are currently being offered at the University. In
certification programs are also available. Computer science, business a
sciences are among some of the newer programs which have joined
liberal arts. The student body of the University is drawn from a broa
high school graduate pursuing a four-year degree sequence, as
nontraditional students include the older student, the part-time student,
able to avail themselves of flexible class scheduling.

The New Jersey City University Foundation, Inc. (the Foundation) wa
provide an independent instrument of control of funds, from other
purposes and mission of the University. The Foundation qualifies
Revenue Code and is exempt from both federal and state taxes. E
historically only been used by or for the benefit of the University, the F
and is discretely presented in the University's financial statements.

Financial Statements

The University's financial report includes three financial statements: t
of Revenues, Expenses, and Changes in Net Assets, and the Statement
are prepared in accordance with Governmental Accounting Standards B

GASB Statement No. 35, *Basic Financial Statements – and Manageme*
Colleges and Universities, establishes standards for external fina
universities requiring that financial statements be presented on a bas
Previously, financial statements focused on the accountability of i
No. 39, *Determining Whether Certain Organizations Are Componen*
whether certain organizations should be reported as a component uni
resulted in the inclusion of the Foundation in the University's financial

Statement of Net Assets

The Statement of Net Assets presents the financial position

(Continued)

For the year ended June 30, 2007, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in net assets of $5.6 million. The following is the Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2007 and 2006, and comparative amounts for the year ended June 30, 2005:

		2007	**2006** (In millions)	**2005**
Operating revenues:				
Student revenue (less scholarships)	$	47.09	42.91	42.01
Grants and contracts		21.87	20.64	20.61
Other		2.28	1.83	1.76

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, 2007 and 2006, and comparative amounts for the year ended June 30, 2005 (amounts in thousands):

	2006				
	Student revenue, net	**State of New Jersey appropriations**	**Grants and contracts**	**Capital grants and gifts**	**Other revenues**
Amounts (in thousands)	$ 42,909	50,084	20,642	270	3,295
Percent	36.6%	42.7%	17.6%	0.2%	2.9%

	2005				
	Student revenue, net	**State of New Jersey appropriations**	**Grants and contracts**	**Capital grants and gifts**	**Other revenues**
Amounts (in thousands)	$ 42,008	47,451	20,606	2,391	2,826
Percent	36.4%	41.2%	17.9%	2.1%	2.4%

For 2007, 2006, and 2005, 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, 2007, 2006, and 2005 were $49.0 million, $50.1 million, and $47.5 million, respectively. The State of New Jersey appropriations continue to be affected by the economic climate in New Jersey. With cuts to many state programs, the appropriation has decreased in 2007 in which the University received no funding of the salary program for wage increases that the University is contractually obligated to meet. Total student revenue, net, for fiscal years ending June 30, 2007, 2006, and 2005 were $47.0 million, $42.9 million, and $42.0 million, respectively. This comprised 37.5%, 36.6%, and 36.4% of the revenue received by the University for the fiscal years ending June 30, 2007, 2006, and 2005, respectively. Tuition rates were increased by 8%, 6.8%, and 6.6% for the academic years beginning in fall 2007, 2006, and 2005, respectively.

(Continued)

For the years ended June 30, 2007 and 2006, investment income was $3.7 million and $1.4 million, respectively. General interest income increased by approximately $0.5 million as compared to the prior fiscal year. In addition, during fiscal year 2007, a realized gain of $0.6 million was recognized in relation to the sale of the 2003 A Swap. The University also reinvested a number of its securities into short term investment vehicles, such as money markets, in which additional interest income is expected in future fiscal years. Additional interest income was recognized in trust cash due to an investment maturity in the 2005 A bond for $0.9 million in February 2007. For the years ended June 30, 2006 and 2005, investment income was $1.4 million and $1.0 million, respectively. The increase in investment income is the result of the improvement in short term rates.

Financial Highlights – Expenses

For the year ended June 30, 2007, the University's total operating expenses increased $4.5 million to $116.7 million from $112.2 million for the year ended June 30, 2006. The following is an illustration of operating expenses by functional classification for th

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Management's Discussion and Analysis

June 30, 2007 and 2006

Capital additions totaling $33.2 million in fiscal year 2006 consisted of renovations to the Gilligan Student Union Building, which houses the University's Cafeteria and Book Store and the construction of the Arts and Science Building, as well as miscellaneous department renovations throughout the campus. During fiscal year 2006, demolition of the Baldwin Steel facility and adjacent buildings was completed. Capital additions totaling $33.0 million in fiscal year 2005 consisted of demolition and architect engineer fees related to the development of the West Campus Property, and the completion of the Business Development Incubator and the Black Box Theater. In 2005, the University also incurred costs for the construction of the Arts and Science Building and the renovation of the Gilligan Student Union Building.

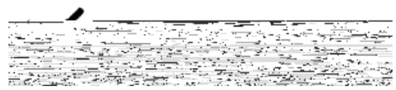
In April 2007, the University issued $17.9 million in Series 2007 F Revenue Bonds through the NJEFA to finance the advance refunding of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 1998 E in its entirety, as well as to finance the advance refunding of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 1999 B and 2002 A, and finance the payment of the costs of issuance of the Bonds.

In January 2006, the University issued $5.9 million in Series 2006 C Revenue Bonds through the NJEFA to finance the advance refunding of a portion of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 1999 B, refinance a bank loan in the principal amount of $5.2 million, and finance the payment of the costs of issuance of the Bonds. Current year capital asset additions were funded with tax-exempt debt, taxable debt, grants, gifts, as well as funds from current operations. In January 2005, the University issued $21.6 million in Series 2005 A Revenue Bonds through the NJEFA to finance capital projects such as the Gilligan Student Union Building Renovations, Campus Roadway Upgrade, Cogeneration Plant, and Information Technology Equipment. In May 2003, the University issued $50.2 million in Series 2003 A and B Revenue Bonds through the NJEFA to finance the new Arts & Sciences Tower, the Charter High School, the Business Incubator, the Student Union Building Renovation, and other projects including improvements to the fire sprinkler system, parking facilities, and various renovations.

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

Moody's Investors Service and Fitch Ratings Services have assigned debt ratings of "A3" and "A-", respectively, to the University. Bonds that are rated "A" possess many favorable attributes and are considered upper-medium-grade obligations. Factors providing security to principal and interest are considered adequate, while the resources to absorb future financial challenges are not as strong as Aaa or Aa rated institutions.

The management's discussion and analysis on pages 1 through 11 is not a required part of the basic financial statements but is supplementary information required by 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.



October 18, 2007

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Statements of Net Assets
Business-Type Activities – University Only
June 30, 2007 and 2006

Assets		**2007**	**2006**
Current assets:			
Cash and cash equivalents	$	10,540,507	2,239,571
Investments, current portion		9,075,064	5,427,066
Student receivables, net of allowance of $2,436,000 and $1,925,000 in 2007 and 2006, respectively		1,986,283	1,535,247
Grants receivables		2,144,995	1,495,469
Other receivables			

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

Statements of Financial Position

June 30, 2007 and 2006

Assets		**2007**	**2006**
Cash and cash equivalents	$	2,027,082	2,308,104
Investments		3,902,566	3,358,000
Prepaid expenses		7,000	7,055
Other receivables		30,508	31,197
Restricted cash and investments		103,595	—
Unconditional promises to give, net of unamortized discount		774,812	668,849
Contribution receivable, charitable remainder annuity trust		1,572,029	1,375,629
Computer equipment, net of accumulated depreciation $14,652 and $8,870 in 2007 and 2006, respectively		19,163	22,531
Total assets	$	8,436,755	7,771,365
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	178,105	142,410
Note payable, related party		390,000	390,000
Total liabilities		568,105	532,410
Net assets:			
Unrestricted:			
Operating		2,529,129	2,349,642
Board designated		331,835	299,442
Fixed assets		19,163	22,531
Total unrestricted net assets		2,880,127	2,671,615
Donor restricted:			
Temporarily		3,012,945	2,686,858
Permanently		1,975,578	1,880,482
Total net assets		7,868,650	7,238,955
Total liabilities and net assets	$	8,436,755	7,771,365

See accompanying notes to financial statements.

NEW JERSEY CITY UNIVERSITY
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Statements of Revenues, Expenses, and Changes in Net Assets

Business-Type Activities – University Only

Years ended June 30, 2007 and 2006

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

Statement of Activities and Changes in Net Assets

Year ended June 30, 2007

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:					
Support from public contributions	$	167,587	404,447	95,096	667,130
Development grants and contracts		—	155,000	—	155,000
Contributed services and facilities		569,995	—	—	569,995
Interest and dividend income		200,506	—	—	200,506

NEW JERSEY CITY UNIVERSITY FOUNDATION, INC.
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Statement of Activities and Changes in Net Assets

Year ended June 30, 2006

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:					
Support from public contributions	$	392,699	192,896	181,754	767,349
Development grants and contracts		134,536	232,040	—	366,576
Contributed services and facilities		810,324	—	—	810,324
Interest and dividend income		149,309	—	—	149,309
Rental income		240,828	—	—	240,828
Credit card commissions		10,226	—	—	10,226
Events		131,339	—	—	131,339
Appreciation in market value of investments		146,501	—	—	146,501
Net assets released from restrictions in satisfaction of program restrictions		247,832	(247,832)	—	—
Total support and revenues		2,263,594	177,104	181,754	2,622,452
Expenses:					
Program services		1,167,306	—	—	1,167,306
Management and general		262,759	—	—	262,759
Fund-raisin					

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(A Component Unit of the State of New Jersey)

Statements of Cash Flows

Business-Type Activities – University Only

Years ended June 30, 2007 and 2006

		2007	2006
Cash flows from operating activities:			
Student receipts	$	40,021,060	36,560,047
Grants and contracts		20,745,355	22,805,942
Payments for salaries and benefits		(73,879,477)	(72,032,609)
Payments to suppliers		(10,737,147)	(12,362,359)
Payments for utilities		(4,163,122)	(3,286,028)
Payments to students		(2,496,908)	(2,382,851)
Loans issued to students		(124,288)	(135,025)
Collection of loans from students			

NEW JERSEY CITY UNIVERSITY

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

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

Investments

Investments are recorded in the financial statements at fair value, which is based on quoted market price. Purchases and sales of investments are acc

NEW JERSEY CITY UNIVERSITY

The University participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy provides limitations in the maturities of the various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. The following tables summarize investment maturities as of June 30, 2007 and 2006:

2007

NEW JERSEY CITY UNIVERSITY

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2007 and 2006 follows:

		June 30, 2006	Additions	Reductions	June 30, 2007
Depreciable assets:					
Land improvements	$	799,943	—	—	799,943
Buildings and building improvements		122,406,980	32,082,403	—	154,489,383
Equipment and other assets		41,786,049	3,098,611	(504,447)	44,380,213
		164,992,972	35,181,014	(504,447)	199,669,539
Less accumulated depreciation:					
Land improvements		(563,443)	(59,298)	—	(622,741)
Buildings and building improvements		(38,510,853)	(4,504,194)	—	(43,015,047)
Equipment and other assets		(21,955,075)	(3,923,600)	448,068	(25,430,607)
		(61,029,371)	(8,487,092)	448,068	(69,068,395)
		103,963,601	26,693,922	(56,379)	130,601,144
Nondepreciable assets:					
Land		14,127,958	359,860	—2,1	.—3.eprec93,2,818(ild)4.8(81

Estimated costs to complete the projects classified as construction in progress as of June 30, 2007 approximated $15.7 million and are anticipated to be funded primarily from bond financing, and other unrestricted resources. During 2007 and 2006, the University capitalized interest income of approximately $625,000 and $342,000, respectively, and interest expense of approximately $1,870,000 and $1,335,000, respectively, which is included in construction in progress in the accompanying statements of net assets.

(5) Long-Term Debt

The University has financed capital assets through various revenue bonds issued by the New Jersey Educational Facilities Authority (NJEFA). The University has pledged all net revenue derived from the operation of the dormitories, student center, recreation center, academic building, and athletic and recreation facilities as security. Estimated costs in connection with these capital assets of approximately $83.6 million and $79.9 million as of June 30, 2007 and 2006, respectively, are included in the accompanying statements of net assets. The following obligations to the Authority were outstanding as of June 30, 2007 and 2006:

	Interest rate	2007	2006
Bonds payable:			
New Jersey Educational Facility Authority Revenue Bonds:			
Series 1977 C Revenue Bonds, due serially to 2010	6.29%	$ 2,105,000	2,555,000
Series 1995 C Revenue Bonds, due serially to 2007	3.80 – 4.90%	—	505,000
Series 1998 E Revenue Bonds, due serially to 2028	4.40 – 9.00%	—	6,170,000
Series 1999 B Revenue Bonds, due serially to 2018	4.40 – 5.00%	9,030,000	10,260,000
Series 1999 B Revenue Bonds, due July 1, 2019, 2020, and 2022	4.75 – 5.00%	4,625,000	4,625,000
Series 2002 A Revenue Bonds, due serially to 2032	3.00 – 5.00%	2,215,000	14,290,000
Series 2003 A Revenue Bonds, due July 1, 2032	Variable (3.51% and 3.679% as of June 30, 2007 and 2006, respectively)	47,750,000	47,800,000
Series 2003 B Revenue Bonds, due July 1, 2018	5.45%	2,300,000	2,300,000
Series 2005 A Revenue Bonds, due July 1, 2035	Variable (3.70% and 3.75% as of June 30, 2007 and 2006, respectively)	21,025,000	21,575,000
Series 2006 C Revenue Bonds, due July 1, 2036	Variable (5.08% and 5.15% as of June 30, 2007 and 2006, respectively)	5,950,000	5,950,000
Series 2007 F Revenue Bonds, due July 1, 2032	3.00 – 5.00%	17,910,000	—
Total bonds payable		112,910,000	116,030,000

	Interest rate	2007	2006
Other long-term debt:			
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B	4.13 – 5.75%	$ 4,600,001	4,820,001
New Jersey Educational Facility Authority Equipment Leasing Fund Series 2001 A	3.50 – 5.00%	—	136,590
New Jersey Educational Facility Authority Dorm Safety 2001 A and B	4.50%	496,793	551,995
New Jersey Environmental Infrastructure Trust Loan 2005 A	4.00 – 5.00%	780,000	780,000
New Jersey Environmental Infrastructure Fund Loan 2005 A	—	1,172,416	2,198,237
Various capital lease obligations	5.00%	298,906	577,838
Total other long-term debt		7,348,116	9,064,661
Total long-term debt		120,258,116	125,094,661
Less noncurrent portion		(118,218,036)	(121,955,417)
Total long-term debt, current portion		$ 2,040,080	3,139,244

In April 2007, the University issued $17.9 million in Series 2007 F Revenue Bonds through the NJEFA to finance the advance refunding of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 1998 E in its entirety, as well as to finance the advance refunding of a portion of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 1999 B and 2002 A, and finance the payment of the costs of issuance of the Bonds. $17.4 million of the proceeds of the Series 2007 F Revenue Bonds were used to purchase securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of Series 1998 E and portions of debt service payments of Series 1999 B and 2002 A.

In January 2006, the University issued $5.95 million in Series 2006 C Revenue bonds through the NJEFA to finance the advance refunding of a portion of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 1999 B, refinance a bank loan in the principal amount of $5.2 million, and finance the payment of the costs of issuance of the Bonds.

In November 2005, the University received approximately $3 million from the New Jersey Environmental Infrastructure Trust 2005 Environmental Infrastructure Financing Program to be utilized for the

Interest Rate Swaps

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

2003 A Synthetic Fixed Swap

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

The bonds and the related swap agreement mature on July 1, 2032, and the swap's remaining notional amount of $21,910,000 matches a portion of the $47,850,000 floating rate bonds. The swap was entered at the same time the bonds were issued. Starting in fiscal year 2005, the notional value of the swap and the principal amount of the associated debt declined per their respective schedules. Under the swap, the Authority pays the counterparty a fixed payment of 3.245% and receives a variable payment computed as 67% of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bond's floating rate coupons are based on a short-term tax-exempt rate which is a market rate that correlates to The Bond Market Association Municipal Swap Index (BMA).

Interest rates have increased positively impacting the fair value of the swap since execution. The swap had a fair value of $1,210,059 as of June 30, 2007 and a fair value of $1,284,659 as of June 30, 2006. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As of June 30, 2007 and 2006, the Authority was exposed to credit risk because the swap had a favorable fair value. The swap counterparty was rated AA by Standard and Poor's and Aa1 by Moody's as of June 30, 2007 as compared to a rating of A by Standard & Poor's and Aa3 by Moody's as of June 30, 2006. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA-/Aa3 by at least one rating agency, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

The swap exposes the University to basis risk should the relationship between LIBOR and the floating rate bonds converge, changing the overall synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.245%) and the overall synthetic rate as of June 30, 2007 and 2006 of (3.195%) and (3.325%), respectively. If a change occurs that results in the rates' moving to convergence, the expected cost of savings may not be realized. As of June 30, 2007, the floating bond rate was 3.51%, whereas 67% of LIBOR was 3.56%. As of June 30, 2006, the floating bond rate was 3.66%, whereas 67% of LIBOR was 3.58%.

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

Using rates as of June 30, 2007, debt service requirements of the swapped portion of variable-rate debt and net swap payments, assuming current interest rates remain the same for their -29.2 current9n03e for t7 0n -1a5n5(e

The swap had a fair value of $728,400 as of June 30, 2007 and a fair value of $828,257 as of June 30, 2006. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swap counterparty was rated A+ by Standard & Poor's and Aa3 by Moody's as of June 30, 2007 and 2006. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA-/Aa3 by at least one rating agency, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

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

After the initial variable rate period of the swap, the Authority will be exposed to basis risk since the variable leg will then be based on 67% of the one-month LIBOR. The swap exposes the University to basis risk should the relationship between LIBOR and the floating rate bonds converge, changloaalch4 -1.14hiAfteqs4n L

2006 LIBOR Yield Curve Basis Swaps

In June 2006, the Authority entered into three LIBOR Yield Curve Basis Swaps (Basis Swaps) for the benefit of the University to enhance the 2003A Synthetic Fixed Rate Swap, 2005A Synthetic Fixed Rate

The basis swap exposes the Authority to yield curve risk should the spread of one month LIBOR minus the five-year USD-ISDA-Swap Rate becomes positive. The negative effects of yield curve risk are caused by an inversion of the associated yield curve resulting in the Authority paying a higher overall borrowing cost. As way to mitigate this inherent risk over the short-term, the Authority has executed the transaction based on a forward effective date beginning in June 2007. In fiscal year 2008, the Authority extended the forward effective date to June 2008.

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

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, 2007 and 2006, the net present value of the aggregate capitalized lease obligation associated with these agreements, which excludes future interest payments, is $298,906 and $577,838, respectively. The fiscal year 2007 and 2006 payments for these capitalized lease obligations were $285,732 and $242,558, 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, 2007:

	Principal	Interest
Year ending June 30:		
2008	$ 2,040,080	4,424,329
2009	2,687,241	4,468,030
2010	2,946,892	4,356,750
2011	3,442,637	4,231,760
2012	3,289,937	2,545,152
2008-2012 subtotal	14,406,787	20,026,021
2013-2017	18,805,778	18,381,314
2018-2022	22,218,658	14,277,167
2023-2027	23,917,713	10,024,629
2028-2032	26,739,180	5,838,348
2033-2037	14,170,000	1,912,409
	$ 120,258,116	70,459,888

Line of Credit

On February 20, 2004 the University entered into a secured commercial revolving-credit loan agreement with Fleet National Bank (the Lender) in the amount of $7,500,000. As of June 30, 2007 and 2006, the outstanding balance was $0. In January 2006, the University issued $5.9 million in Series 2006 C Revenue Bonds through the NJEFA of which $5.2 million was utilized to pay the outstanding line of credit.

On July 3, 2006 the University entered into a secured commercial revolving-credit loan agreement with Bank of America in the amount of $5,000,000. This line of credit is available through June 30, 2007.

(6) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2007 and 2006:

	June 30, 2006	Additions	Reductions	June 30, 2007	Current portion
Long-term debt	$ 125,094,661	16,772,980	(21,609,525)	120,258,116	2,040,080
Other noncurrent liabilities:					
U.S. government grants refundable	555,011	14,977	—	569,988	—
Compensated absences	4,214,437	445,895	(262,025)	4,398,307	2,683,647
Total noncurrent liabilities	$ 129,864,109	17,233,852	(21,871,550)	125,226,411	4,723,727

	June 30, 2005	Additions	Reductions	June 30, 2006	Current portion
Long-term debt	$ 124,113,653	8,977,063	(7,996,055)	125,094,661	3,139,244
Other noncurrent liabilities:					
U.S. government grants refundable	667,081	—	(112,070)	555,011	—
Compensated absences	3,361,375	953,649	(100,587)	4,214,437	2,540,391
Total noncurrent liabilities	$ 128,142,109	9,930,712	(8,208,712)	129,864,109	5,679,635

(7) Retirement Plans

Plan Descriptions

The University participates in two major retirement plans for its employees – Public Employees’

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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

(10) Compensated Absences

The University recorded a liability for compensated absences in the amount of approximately $4,398,307 and $4,214,437 as of June 30, 2007 and 2006, respectively, which is included in accounts payable and accrued expenses and other noncurrent liabilities in the accompanying statements of net assets. The liability is calculated based upon employees' accrued vacation leave as of year-end, as well as an estimated vested amount for accrued sick leave.

Payments for accumulated sick-leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick-leave accumulation at the pay rate in effect at the time of retirement, up to a maximum of $15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick-leave balances. Prior to 1991, the State reimbursed the University for payments made to retiring employees for accrued sick leave; however, during 1991 through 2005, the State did not make such reimbursements. The University paid $205,787 and $57,657 in sick-leave payments for employees who retired during the years ended June 30, 2007 and 2006, respectively.

(11) Student Financial Assistance Programs

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

The University's compliance with the requirements of the Federal student financial assistance programs authorized by Title IV of the U.S. Higher Education Act of 1965, as amended (Title IV Programs), is subject to annual audit by an independent auditor. Such compliance audits are subject to review by the U.S. Department of Education (the Department). Management is of the opinion that a liability, if any, resulting from compliance audits would not have a material adverse effect on the University's financial position.

(12) New Jersey City University Foundation, Inc.

New Jersey City University Foundation, Inc. (Foundation) is a legally separate tax-exempt component unit of the 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 20 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

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During the year ended June 30, 2007 and 2006, the Foundation distributed $103,731 and $89,107, respectively, to the University in the form of scholarships. The Foundation distributed an additional $190,000 to the University to mitigate the University's scholarship expenses. In addition the Foundation also contributed $160,000 to the University to aid in the furnishing of the University's waterfront site. The University contributed $429,062 and $669,391 in services for the years ended June 30, 2007 and 2006, respectively.

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

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

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