

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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

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

Table of Contents

Page

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

Management's Discussion and Analysis

June 30, 2008 and 2007

Introduction

This section of the financial statements of New Jersey City University (the University) presents management's discussion and analysis of the financial performance and condition for the years ended June 30, 2008 and 2007, and comparative amounts for the year ended June 30, 2006. This section is designed to assist readers in understanding the accompanying financial statements, and therefore, should be read in conjunction with the financial statements and the related footnote disclosures.

University Overview

Since the date of its charter by the New Jersey Legislature in 1927, the University continues to evolve as a reputable institution of higher learning. Although the University was founded as a teacher training institution, its subsequent dynamic growth has been based on its energetic and diverse academic programs. In addition to its traditional programs, certification programs are also available. Computer science, business administration, criminal justice, and health sciences are among some of the newer programs which have joined the traditional programs of study in the

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

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

Management's Discussion and Analysis

June 30, 2008 and 2007

	2008	2007	2006
	(In millions)		
Net assets:			
Invested in capital assets, net of related debt	\$ 63.7	69.3	60.2
Restricted for expendable:			
Renewal and replacement	2.6	2.4	3.1
Capital projects	—	0.1	—
Debt service reserve	2.5	2.5	3.7
Debt service – principal	1.3	0.5	2.0
Perkins loans	0.2	0.2	0.2
Unrestricted	28.5	21.6	21.7
Total net assets	\$ 98.8	96.6	90.9

Statement of Net Assets – Financial Highlights

As of June 30, 2008, the University's total assets decreased by \$0.4 million to \$231.9 million from \$232.3 million as of June 30, 2007. This decrease is primarily attributable to a decrease of \$4.2 million in capital assets due to depreciation as well as decreases in grant receivables of \$1.5 million. These decreases were offset by increases in cash and cash equivalents of \$5.3 million.

As of June 30, 2007, the University's total assets decreased by \$0.1 million to \$232.3 million from \$232.4 million as of June 30, 2006. This decrease is primarily attributable to an increase of \$0.8 million in deferred financing costs, net in relation to the 2007 F bond as well as increases in student receivables and grant receivables of \$0.4 million and \$0.6 million, respectively. These increases were offset by a decrease of \$1.4 million in other receivables. In addition, during fiscal year 2007, the majority of the University's capital expenditures were incurred relating to the Gilligan Student Union Building and the Chiller Replacement project in Rossey Hall, which resulted in the transition of cash between deposits held with bond trustees and capital assets.

As of June 30, 2008, the University's total liabilities decreased \$2.6 million to \$133.1 million from \$135.7 million as of June 30, 2007. One of the two major components is a decrease of \$1.1 million in long-term debt due to principal payments made during fiscal year 2008. The second major component is a decrease in vendor accruals and accounts payable of \$3.7 million as of June 30, 2008. This is primarily attributed to a reduction in the number of capital projects in progress as of June 30, 2008 as compared to June 30, 2007. These decreases were offset by increases in accrued interest, compensated absences, deferred student tuition and fees, and deferred grant reve

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

Management's Discussion and Analysis

June 30, 2008 and 2007

University also issued \$6.1 million in Series 2008 F Revenue Refunding Bonds through the NJEFA to finance the refunding of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 2006 C in its entirety and finance the payment of the costs of issuance of the Bonds.

As of June 30, 2007, the University's total liabilities decreased \$5.8 million to \$135.7 million from \$141.5 million as of June 30, 2006. One of the two major components is a decrease of \$4.8 million in long-term debt due to principal payments made during fiscal year 2007. In April 2007, the University issued \$17.9 million in Series 2007 F Revenue Refunding Bonds through the New Jersey Educational Facilities Authority (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. The second major component is a decrease in vendor accruals and accounts payable of \$0.8 million as of June 30, 2007. This is primarily attributed to a reduction in the number of capital projects in progress as of June 30, 2007 as compared to June 30, 2006.

The State of New Jersey is implementing Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ending June 30, 2008. 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 will be reported by the State of New Jersey.

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

Management's Discussion and Analysis

June 30, 2008 and 2007

June 30, 2008, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in net assets of \$2.15 million. The following is the Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2008 and 2007, and comparative amounts for the year ended June 30, 2006:

	2008	2007	2006
		(In millions)	
Operating revenues:			
Student revenue (less scholarships)	\$ 50.22	47.09	42.91
Grants and contracts	22.80	21.87	20.64
Other	2.65	2.28	1.83

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Management's Discussion and Analysis
June 30, 2008 and 2007

Financial Highlights – Revenues

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

Management's Discussion and Analysis

June 30, 2008 and 2007

	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%

For 2008, 2007, and 2006, 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, 2008, 2007, and 2006 were \$50.6 million, \$49.0 million, and \$50.1 million, respectively. The State of New Jersey appropriations continue to be affected by the economic climate in New Jersey. Although the base appropriation received from the State increased in 2008, the University did not receive 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, 2008, 2007, and 2006 were \$50.2 million, \$47.0 million, and \$42.9 million, respectively. This comprised 38.8%, 37.5%, and 36.6% of the revenue received by the University for the fiscal years ending June 30, 2008, 2007, and 2006, respectively. Tuition rates were increased by 7.4%, 8%, and 6.8% for the academic years beginning in fall 2008, 2007, and 2006, respectively.

For the year ended June 30, 2008, 2007, and 2006, revenues from Federal and State of New Jersey grants were \$22.8 million, \$21.8 million, and \$20.6 million, respectively. The major grant programs and sponsors at the Federal level include Pell, College Work Study, Trio-Upward Bound, Hispanic Serving Institutions – Title V, Gear Up, Newark Striving Readers, and Americorps, among others. Major State of New Jersey grant programs include Tuition Aid Grant (TAG), Educational Opportunity Fund, College Bound, and Youth Corps. Financial aid grants including Pell and TAG increased by \$1.3 million, \$1.6 million, and \$0.24 million, for fiscal years ending June 30, 2008, 2007, and 2006, respectively. Such increases have been in proportion to the increase in tuition and fees.

During fiscal year 2008 and 2007 the University recognized revenue relating to one capital grant for \$0.09 million each year in relation to the annual U.S. Department of Housing and Urban Development (HUD) subsidy and one capital gift for \$0.09 million and \$0.16 million, respectively, from the New Jersey City University Foundation which was used to finance capital expenditures relating to the University's New Jersey City Waterfront facility. In addition, in 2007 the University recognized \$1.1 million of capital grant revenue relating to imputed interest revenue calculated on the New Jersey Infrastructure Trust low interest rate loan. The proceeds of this loan were expended in conjunction with the West Campus Redevelopment Project. During fiscal year 2006, the University recognized revenue relating to one capital grant for \$0.27 million which was used to finance capital expenditures relating to the science fume hood replacement project.

For the years ended June 30, 2008 and 2007, investment income was \$2.9 million and \$3.7 million, respectively. General interest Geneec

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

Management's Discussion and Analysis

June 30, 2008 and 2007

gain of \$0.6 million was recognized in relation to the sale of the Series 2003 A Revenue Bond 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 Series 2005 A Revenue Bond for \$0.9 million in February 2007.

Financial Highlights – Expenses

For the year ended June 30, 2008, the University's total operating expenses increased \$5.4 million to \$122.1 million from \$116.7 million for the year ended June 30, 2007. The following is an illustration of operating expenses by functional classification for the operating years ended June 30, 2008 and 2007, and

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

Management's Discussion and Analysis

June 30, 2008 and 2007

		2008									
		<u>Instruction</u>	<u>Institutional support</u>	<u>O & M of plant</u>	<u>Student services</u>	<u>Academic support</u>	<u>Depreciation</u>	<u>Student aid</u>	<u>Auxiliary enterprises</u>	<u>Public service and development</u>	<u>Research and programs</u>
Amounts (in thousands)	\$	50,785	18,235	14,582	12,745	11,857	7,591	2,677	3,659	—	—
Percent		41.6%	14.9%	11.9%	10.4%	9.7%	6.2%	2.2%	3.0%	—%	—%

		2007									
		<u>Instruction</u>	<u>Institutional support</u>	<u>O & M of plant</u>	<u>Student services</u>	<u>Academic support</u>	<u>Depreciation</u>	<u>Student aid</u>	<u>Auxiliary enterprises</u>	<u>Public service and development</u>	<u>Research and programs</u>
Amounts (in thousands)	\$	47,015	18,939	13,034	11,746	11,617	8,487	2,497	3,399	—	—
Percent		40.3%	16.2%	11.2%	10.1%	10.0%	7.3%	2.1%	2.9%	—%	—%

		2006									
		<u>Instruction</u>	<u>Institutional support</u>	<u>O & M of plant</u>	<u>Student services</u>	<u>Academic support</u>	<u>Depreciation</u>	<u>Student aid</u>	<u>Auxiliary enterprises</u>	<u>Public service and development</u>	<u>Research and programs</u>
Amounts (in thousands)	\$	44,833	18,960	12,403	12,280	10,622	7,384	2,383	3,319	5	10
Percent		40.0%	16.9%	10.9%	10.9%	9.5%	6.6%	2.2%	3.0%	—%	—%

Total operating expenses increased by \$5.4 million, \$4.5 million, and \$8.3 million for the years ended June 30, 2008, 2007, and 2006, respectively. These increases were primarily due to increases in salaries, benefits, utilities, and bad debt expense. Total accumulated depreciation as of June 30, 2008, 2007, and 2006 was \$75.4 million, 3m6(h)-0.1.154.2444—

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

Management's Discussion and Analysis

June 30, 2008 and 2007

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.

In April 2008, the University issued \$68.4 million in Series 2008 E Revenue Refunding Bonds through the NJEFA to finance the current refunding of all of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 2003 A in its entirety, as well as to finance the current refunding of all of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 2005 A in its entirety, and finance the costs associated with the issuance of the Bonds, including certain swap termination payments.

In April 2008, the University issued \$6.1 million in Series 2008 F Revenue Refunding Bonds through the NJEFA to finance the current refunding of all of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 2006 C in its entirety and finance the payment of the costs of issuance of the Bonds.

In April 2007, the University issued \$17.9 million in Series 2007 F Revenue Refunding 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 Refunding 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.

The University has initiated a study to evaluate and prioritize deferred maintenance requirements for all buildings and supporting infrastructure. Additionally, creation of a Master Facilities Plan has been commissioned to provide a holistic view of current and future building and facilities requirements. The master facilities plan and the deferred maintenance study will form the basis of assessing the scope and timeline for which buildings and associated subsystems must be upgraded or repaired in order to provide well-maintained facilities. In addition to deferred maintenance needs, the University must fund the cost of constructing sewage, water and other utilities infrastructure requirements for lands acquired for the West Side Campus project. Initial estimates are that approximately \$154.5 million will be required to complete the deferred maintenance and West Campus Infrastructure. Funding for these projects could come from the State of New Jersey, additional bond issues, and/or private fundraising or grants.

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Management's Discussion and Analysis
June 30, 2008 and 2007

Moody's Investors Service and Fitch Ratings Services have

Independent Auditors' Report

The Board of Trustees
New Jersey City University:

We have audited the accompanying financial statements of the business-type activities and the discretely

The management's discussion and analysis on pages 1 through 11 is not a required part of the basic

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Statements of Net Assets
Business-Type Activities – University Only
June 30, 2008 and 2007

Assets	2008	2007
Current assets:		
Cash and cash equivalents	\$ 15,870,769	10,540,507
Investments, current portion	10,901,881	9,075,064
Student receivables, net of allowance of \$3,099,000 and \$2,436,000 in 2008 and 2007, respectively	2,168,056	1,986,283
Grants receivables	647,392	2,144,995
Other receivables	3,297,335	2,515,959
Deposits held with bond trustees	5,288,645	3,152,238
Total current assets	38,174,078	29,415,046
Noncurrent assets:		
Deposits held with bond trustees	11,819,847	17,062,712
Investments, noncurrent portion	5,068,602	5,433,060
Student loans, net of allowance of \$835,000 and \$799,000 in 2008 and 2007, respectively	550,669	513,054
Deferred financing costs, net	3,400,950	2,893,321
Capital assets, net of accumulated depreciation of \$75,366,000 and \$69,068,000 in 2008 and 2007, respectively	172,839,556	176,968,110
Total noncurrent assets	193,679,624	202,870,257
Total assets	231,853,702	231,707,303

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

Statements of Financial Position

June 30, 2008 and 2007

Assets	2008	2007
Cash and cash equivalents	\$ 1,979,297	2,027,082
Investments	3,800,314	3,902,566
Prepaid expenses	6,979	7,000
Other receivables	9,206	30,508
Restricted cash and investments	104,910	103,595
Unconditional promises to give, net of unamortized discount	625,492	774,812
Contribution receivable, charitable remainder annuity trust	1,265,565	1,572,029

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

Statements of Revenues, Expenses, and Changes in Net Assets

Business-Type Activities – University Only

Years ended June 30, 2008 and 2007

	2008	2007
Operating revenues:		
Student revenue:		
Tuition and fees	\$ 62,268,731	57,836,133
Auxiliary enterprises	6,234,850	6,180,429
Less scholarship allowance	(18,284,987)	(16,926,992)
Total student revenue, net	50,218,594	47,089,570
Federal grants	12,168,688	11,696,436
State of New Jersey grants	10,613,141	10,109,257
Private and other grants	13,112	64,938
Other operating revenues	2,651,477	2,281,036
Total operating revenues	75,665,012	71,241,237
Operating expenses:		
Instruction	50,785,084	47,014,582
Public service and enterprise development	—	500
Academic support	11,856,625	11,616,836
Student services	12,745,195	11,746,441
Institutional support	18,234,714	18,939,390
Operation and maintenance of plant	14,582,188	13,033,950
Auxiliary enterprises	3,658,568	3,398,916
Student aid	2,677,138	2,496,908
Depreciation	7,591,063	8,487,092
Total operating expenses	122,130,575	116,734,615
Operating loss	(46,465,563)	(45,493,378)
Nonoperating revenues (expenses):		
State of New Jersey appropriations	32,888,274	30,983,000
State of New Jersey fringe benefit appropriations	17,723,473	17,982,712
Gifts to affiliates	(190,461)	(239,062)
Investment income	2,900,115	3,715,890
Interest expense	(4,586,136)	(2,808,290)
Loss on disposal of capital assets	(512,387)	(48,576)
Other nonoperating income	198,777	162,036
Net nonoperating revenues	48,421,655	49,747,710
Income before other revenues	1,956,092	4,254,332
Other revenues:		
Capital grants and gifts	193,115	1,394,511
Increase in net assets	2,149,207	5,648,843
Net assets as of beginning of year	96,624,538	90,975,695
Net assets as of end of year	\$ 98,773,745	96,624,538

See accompanying notes to financial statements.

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, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues:				
Support from public contributions	\$ 339,671	180,861	38,621	559,153
Development grants and contracts	—	175,000	—	175,000
Contributed services and facilities	533,543	—	—	533,543
Interest and dividend income	178,608	—	—	178,608
Rental income	110,093	—	—	110,093
Credit card commissions	9,420	—	—	9,420
Events	36,954	—	—	36,954
Fair value adjustment of CRAT	—	(306,465)	—	(306,465)
Depreciation in market value of investments	(198,426)	—	—	(198,426)
Net assets released from restrictions in satisfaction of program restrictions	346,706	(346,706)	—	—
Total support and revenues	<u>1,356,569</u>	<u>(297,310)</u>	<u>38,621</u>	<u>1,097,880</u>
Expenses:				
Program services	1,095,149	—	—	1,095,149
Management and general	317,880	—	—	317,880
Fund-raising	171,861	—	—	171,861
Events	25,325	—	—	25,325
Total expenses	<u>1,610,215</u>	<u>—</u>	<u>—</u>	<u>1,610,215</u>
Change in net assets	(253,646)	(297,310)	38,621	(512,335)
Net assets, beginning of year	<u>2,880,127</u>	<u>3,012,945</u>	<u>1,975,578</u>	<u>7,868,650</u>
Net assets, end of year	\$ <u><u>2,626,481</u></u>	<u><u>2,715,635</u></u>	<u><u>2,014,199</u></u>	<u><u>7,356,315</u></u>

See accompanying notes to financial statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues:				
Support from public contributions	\$ 167,587	208,047	95,096	470,730
Development grants and contracts	—	155,000	—	155,000
Contributed services and facilities	569,995	—	—	569,995
Interest and dividend income	200,506	—	—	200,506
Rental income	189,257	—	—	189,257
Credit card commissions	9,887	—	—	9,887
Events	104,391	—	—	104,391
Fair value adjustment of CRAT	—	196,400	—	196,400
Appreciation in market value of investments	454,409	—	—	454,409
Net assets released from restrictions in satisfaction of program restrictions	233,360	(233,360)	—	—
Total support and revenues	1,929,392	326,087	95,096	2,350,575
Expenses:				
Program services	1,235,373	—	—	1,235,373
Management and general	218,955	—	—	218,955
Fund-raising	194,553	—	—	194,553
Events	71,999	—	—	71,999
Total expenses	1,720,880	—	—	1,720,880
Change in net assets	208,512	326,087	95,096	629,695
Net assets, beginning of year	2,671,615	2,686,858	1,880,482	7,238,955
Net assets, end of year	\$ 2,880,127	3,012,945	1,975,578	7,868,650

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, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Student receipts	\$ 44,689,386	40,021,060
Grants and contracts	24,617,629	20,745,355
Payments for salaries and benefits	(79,820,075)	(73,879,477)
Payments to suppliers	(17,936,796)	(10,737,147)
Payments for utilities	(4,272,885)	(4,163,122)
Payments to students	(2,677,138)	(2,496,908)
Loans issued to students	(137,684)	(124,288)
Collection of loans from students	64,125	177,485
Auxiliary enterprises	4,293,458	4,297,055
Other receipts	3,124,506	3,616,567
Net cash used by operating activities	(28,055,474)	(22,543,420)
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	38,025,205	35,860,927
Net cash provided by noncapital financing activities	38,025,205	35,860,927
Cash flows from capital financing activities:		
Proceeds from capital debt	74,620,000	16,772,980
Defeasement of debt	(73,850,000)	(19,044,443)
Capital grants and gifts	193,115	1,406,504
Purchase of capital assets	(2,169,513)	(11,695,480)
Bond issuance costs	(707,974)	(1,012,660)
Principal paid on capital debt	(1,901,975)	(3,175,419)
Interest paid on capital debt	(3,719,554)	(3,318,431)
Drawdowns on deposits held with trustees	5,220,457	10,897,112
Deposits made with trustees	(3,616,535)	—
Net cash used by capital financing activities	(5,931,979)	(9,169,837)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,463,787	880,240
Purchases of investments	(1,607,605)	(654,856)
Interest on investments	1,436,328	3,927,882
Net cash provided by investing activities	1,292,510	4,153,266
Net increase in cash and cash equivalents	5,330,262	8,300,936
Cash and cash equivalents as of beginning of year	10,540,507	2,239,571
Cash and cash equivalents as of end of year	\$ 15,870,769	10,540,507
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (46,465,563)	(45,493,378)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Bad debt expense	700,859	937,804
Amortization expense	200,346	119,312
State of New Jersey paid fringe benefits expenseC12 tuOper		(1,23,934,242)

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

Notes to Financial Statements

June 30, 2008 and 2007

(1) Organization and Summary of Significant Accounting Policies

Organization

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

The University, located in Hudson County, is dedicated to urban programs designed to meet the complex economic, social, and educational problems of the "inner" cities of metropolitan New Jersey. The urban mission is unique among the State Colleges and Universities of New Jersey, and in order to strengthen this mission, the University has embarked on a plan designed to make it the premier Cooperative Education University in the State. The University serves thousands of residents of the northeast corner of the State. Approximately 10% of the student population is comprised of men and women from other areas of New Jersey, adjacent states, and foreign countries. The operation and management of the University is vested in its thirteen member board of trustees.

Special features of the campus include the A. Harry Moore Laboratory School for Special Education, the Center for Teaching and Learning, the Small Business Development Center, the Margaret Williams Theater for the Performing Arts, the Black Box Theater, the Small Business Development Incubator, and the University's Jersey City Waterfront Facility. The University's John J. Moore Athletic and Fitness Center has a gymnasium, fitness center, swimming pool, and tennis courts.

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

Notes to Financial Statements

June 30, 2008 and 2007

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*

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

Notes to Financial Statements

June 30, 2008 and 2007

Investments

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

Deposits Held with Bond Trustees

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

Capital Assets

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

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

Effective July 1, 2007 the University increased the useful life from 20 to 40 years to 25 to 50 years for buildings and building improvements.

Deferred Financing Costs

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

Revenue Recognition

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

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

Notes to Financial Statements

June 30, 2008 and 2007

Grant revenue is comprised mainly of funds received from grants from Federal and State of New Jersey sources and is recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreements are included in deferred revenue in the accompanying statements of net assets.

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

Classification of Revenue

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) auxiliary enterprises, and (3) most Federal and State grants. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State, net investment income, and gifts and capital grants and gifts.

Income Taxes

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

Financial Dependency

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

(2) Cash and Cash Equivalents and Investments

Effective July 1, 2004, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3 and,

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

Notes to Financial Statements

June 30, 2008 and 2007

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

Notes to Financial Statements

June 30, 2008 and 2007

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement No. 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). As of June 30, 2008 and 2007, the University's investment quality ratings as rated by Moody's were as follows:

Investment type	Quality rating	2008	Amount
Money market accounts and U.S. Treasury notes		\$	6,639,574
U.S. Government agencies	AAA		3,751,453
Auction rate securities	AAA		2,975,000
Corporate notes and bonds	AAA		253,027
Corporate notes and bonds	AA3		601,111
Corporate notes and bonds	AA2		62,035
Corporate notes and bonds	A3 and lowe		

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

Notes to Financial Statements

June 30, 2008 and 2007

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, 2008 and 2007:

Investment type	Fair value	2008 Investment maturities (in years)		
		Less than 1	1 to 2	Greater than 2
Cash and money market accounts	\$ 6,090,651	6,090,651	—	—
U.S. Treasury notes	548,923	—	495,754	53,169
U.S. Government agencies	3,751,453	253,762	1,826,184	1,671,507
Auction rate securities	2,975,000	2,975,000	—	—

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

Not a Financial Statement (June 30, 2015 and 2014) and Notes Thereon

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Notes to Financial Statements

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

Notes to Financial Statements

June 30, 2008 and 2007

	Interest rate	2008	2007
Other long-term debt:			
New Jersey Educational Facility Authority Higher Education Capital Improvement Fund Series 2000 B	4.13 – 5.75%	\$ 4,370,001	4,600,001
New Jersey Educational Facility Authority Dorm Safety 2001 A and B	5%	441,594	496,793
New Jersey Environmental Infrastructure Trust Loan 2005 A	4.00 – 5.00%	755,000	780,000
New Jersey Environmental Infrastructure Fund Loan 2005 A	–	1,158,567	1,172,416
Various capital lease obligations	5%	70,979	298,906
		<u>6,796,141</u>	<u>7,348,116</u>
Total other long term debt		119,126,141	120,258,116
Total long term debt		<u>(117,280,351)</u>	<u>(118,218,036)</u>
Less noncurrent portion		<u>\$ 1,845,790</u>	<u>2,040,080</u>
Total long-term debt, current portion			

In April 2008, the University issued \$68.4 million in Series 2008 E Revenue Refunding Bonds through the NJEFA to finance the current refunding of all of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 2003 A in its entirety, as well as to finance the current refunding of all of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 2005 A in its entirety, and finance the costs associated with the issuance of the 2008 E Bonds, including certain swap termination payments. In April 2008, the University also issued \$6.1 million in Series 2008 F Revenue Refunding Bonds through the NJEFA to finance the current refunding of all of the NJEFA's Revenue Bonds, New Jersey City University Issue, Series 2006 C in its entirety and finance the payment of the costs of issuance of the 2008 F Bonds.

In April 2007, the University issued \$17.9 million in Series 2007 F Revenue Refunding 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.

Interest Rate Swaps

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

NEW JERSEY CITY UNIVERSITY
(A Component Unit of the State of New Jersey)
Notes to Financial Statements

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

Notes to Financial Statements

June 30, 2008 and 2007

In April 2008 the University terminated its 2005A synthetic fixed swap, resulting in a payment by the University of approximately \$850,000.

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

Notes to Financial Statements

June 30, 2008 and 2007

The basis swap exposed the Authority to yield curve risk should the spread of one month LIBOR minus the five-year USD-ISDA-Swap Rate become positive. The negative effects of yield curve risk were 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 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.

In April 2008 the University terminated its three constant maturity swaps, resulting in a payment received by the University, of approximately \$953,000.

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

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

Notes to Financial Statements

June 30, 2008 and 2007

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 was available through June 30, 2007 and was not extended during 2008.

(6) Noncurrent Liabilities

The following table summarizes the changes in noncurrent liabilities during the years ended June 30, 2008 and 2007:

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Current portion</u>
Long-term debt	\$ 120,258,116	74,620,000	(75,751,975)	119,126,141	1,845,790
Other noncurrent liabilities:					
U.S. government grants refundable	569,988	3,948	—	573,936	—
Compensated absences	4,398,307	991,389	(207,189)	5,182,507	3,296,936
Total noncurrent liabilities	<u>\$ 125,226,411</u>	<u>75,615,337</u>	<u>(75,959,164)</u>	<u>124,882,584</u>	<u>5,142,726</u>
	<u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>	<u>Current portion</u>
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	<u>\$ 129,864,109</u>	<u>17,233,852</u>	<u>(21,871,550)</u>	<u>125,226,411</u>	<u>4,723,727</u>

(7) Retirement Plans

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions

The State of New Jersey is implementing Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ending June 30, 2008. 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 will be reported by the State of New Jersey.

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

Notes to Financial Statements

June 30, 2008 and 2007

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.

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, 2008 and 2007, ABP received employer and employee contributions that approximated the following from the University:

	2008	2007
Employer contribution	\$ 2,589,000	2,485,000
Employee contribution	1,618,000	1,553,000
Basis for contributions:		
Participating employee salaries	32,363,000	31,065,000

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

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

Notes to Financial Statements

June 30, 2008 and 2007

During the year ended June 30, 2008 and 2007, the Foundation distributed \$92,209 and \$103,731, 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 \$91,229 to the University to aid in the furnishing of the University's Advancement Office Renovation. The University contributed \$380,461 and \$429,062 in services for the years ended June 30, 2008 and 2007, respectively.

In February 2005, the University provided a \$390,000 promissory note to the Foundation. This note was noninterest bearing during its original term and matured December 1, 2007. The University extended the promissory note until June 2008 at which time it was paid in full.

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.