KPMG

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)

Basic Financial Statements, Management's Discussion and Analysis and Schedules of Expenditures of Federal and State of New Jersey Awards

June 30, 2013

(With Independent Auditors' Reports Thereon)

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**KPMG LLP**
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# Independent Auditors' Report

on Basic Financial Statements

The Board of Trustees
The College of New Jersey:

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), 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 College'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.

### *Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 College, as of and for the years ended 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.

***Emphasis of Matter***

**Adoption of New Accounting Pronouncement**

As discussed in Note 2 to the financial statements, in 2013, the College adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 20 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KPMG LLP

October 14, 2013

**Overview of Financial Statements and Financial Analysis**

The Management's Discussion and Analysis (MD&A) section provides an analytical overview of The College of New Jersey's (TCNJ or the College) financial performance during the fiscal years ended June 30, 2013 and 2012 with fiscal year 2011 data presented for comparative purposes. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for governments, including public colleges and universities. The MD&A section is designed to focus on current activities, resulting changes and currently known facts, and should be read in conjunction with the accompanying financial statements and notes thereto. Responsibility for the accuracy of the information and the completeness and fairness of its presentation, including all disclosures, rests with the management of the College.

Because the financial statements of the College of New Jersey Foundation, a component unit of TCNJ, are presented discretely from the College, the MD&A focuses only on the College. Information relating to the component unit can be found in its separately issued financial statements.

**College Overview**

The College of New Jersey is a highly selective institution that has earned national recognition for its commitment to excellence. Founded in 1855, TCNJ has become an exemplar of the best in public higher education and is consistently acknowledged as one of the top public colleges in the nation. The College currently is ranked as one of the most competitive schools in the nation by *Barron's Profiles of American Colleges* and is rated the No. 1 public institution in the northern region of the country by *U.S. News & World Report*, in the Best Regional Universities category. TCNJ was awarded a Phi Beta Kappa chapter, an honor shared by fewer than 10% of colleges and universities nationally. Additionally, the College was named to the President's Higher Education Community Service Honor Roll, the highest federal recognition a college or university can receive for its commitment to volunteering, service-learning, and civic engagement.

A strong liberal arts core forms the foundation for a wealth of degree programs offered through the College's seven schools. These schools include Arts and Communication; Business; Education; Humanities and Social Science; Science; Nursing, Health, and Exercise Science; and Engineering. The College is enriched by an honors program and extensive opportunities to study abroad; its award-winning First-Year Experience and freshman orientation programs have helped make its retention and graduation rates among the highest in the country.

In the fall of 2012, TCNJ enrolled 6,416 full-time equivalent undergraduate students and 383 in full-time graduate students. The College has residential facilities that housed more than half of the undergraduate students on campus.

The College is recognized as a public institution of higher education by the State of New Jersey (the State) and, accordingly, the State Legislature appropriates funds annually to support operations and the cost of fringe benefits for the number of state authorized positions. Under the law, the College is an instrumentality of the State with a high degree of autonomy and is subject to all of the laws and regulations applying to the state public colleges.

**Governance**

The governing board of the College is a Board of Trustees comprised of no more than 15 publicly appointed trustees, two students and the President of the College (ex-officio non-voting). All citizen members are voting members, as is one of the two students. The Board also includes representatives from the staff and the faculty.

Under P.L. 1994, C. 48, the Board of Trustees is responsible for developing an institutional plan; determining academic programs; establishing administrative policies; borrowing money; awarding contracts; setting tuition and fees; granting degrees; appointing, evaluating and determining compensation of the president; appointing, and promoting the faculty and staff; establishing admission standards and requirements and standards for granting diplomas, certificates and degrees; recommending members for appointments to the Board of Trustees by the Governor; having final authority to determine controversies and disputes containing tenure and other personnel matters of employees; investing and reinvesting the funds of the Public College; retaining legal counsel of the Public College's choosing; and preparing and making public an annual financial statement.

**Academic Profile**

*Faculty*

The College faculty prepares students to excel in their chosen fields and to create, preserve, and transmit knowledge, the arts and wisdom. Committed to their students and their individual disciplines, the College faculty represents an array of scholarly approaches and methodologies. In fall 2012, the College's overall full-time equivalent (FTE) faculty count was 495. Approximately 71% of the total faculty FTE was full time (349) and the remaining 29% (146) included permanent part-time faculty, adjunct and teaching professional staff. During this same period, the total FTE enrollment was 6,799 and the student to faculty ratio was 13:1. The College does not employ graduate teaching assistants, which increases faculty involvement in the curriculum and enriches student learning.

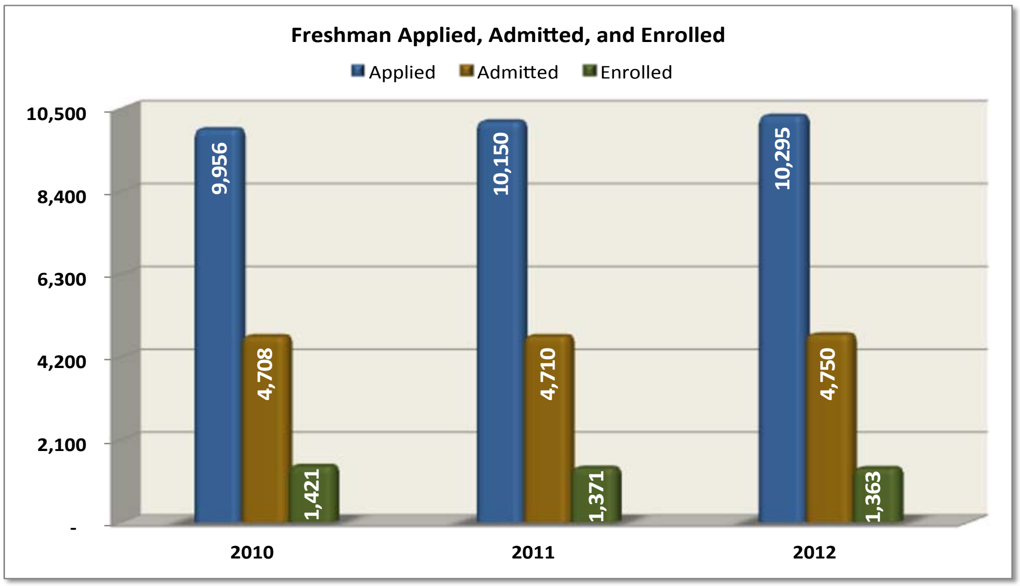
**Faculty Data**

| Academic Year | Full-Time Faculty | Part-Time Faculty* | Tenured Faculty | Faculty with Terminal Degrees | Faculty / Student Ratio |
|---|---|---|---|---|---|
| 2010 - 2011 | 348 | 127 | 257 | 310 | 13:1 |
| 2011 - 2012 | 351 | 132 | 244 | 306 | 13:1 |
| 2012 - 2013 | 349 | 146 | 238 | 307 | 13:1 |

**Part-time includes permanent part-time faculty, adjunct and teaching professional staff.*

*Student*

The College enjoys a healthy student demand and continues to attract academically talented students. As illustrated in the graph below, the fall 2012 full-time freshmen class enrolled 1,363 students yielding a 29% matriculation ratio based upon a 46% acceptance ratio for 10,295 applicants. The 94% freshman to sophomore retention rate demonstrates a high level of student satisfaction. The level of academic engagement is reflected in the high four year and six year graduation rates for the 2006 first time freshman cohort of 72% and 87% respectively. Currently, 95% of the freshmen class and 55% of all undergraduate students live on campus.




The 2012–2013 academic year concluded with the awarding of 1,490 bachelor's degrees, 382 master's degrees, and 114 pre-/post-master's certifications.

**Using the Financial Statements**

The basic financial statements present the financial position, the changes in financial position and cash flows of the College, through three primary financial statements and notes to the financial statements. The three financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements.

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Sustained increases or decreases in net position over time are one indicator of the improvement or erosion of an institution's financial health when considered with relevant nonfinancial indicators such as enrollment levels, quality of freshman applicants, student retention and graduation rates and the condition of the facilities.

Some significant aspects of the financial statements are as follows:

- Revenues and expenses are categorized as either operating or non-operating. Significant recurring sources of the College's revenues, including state appropriations and investment income, are considered non-operating, as defined by GASB Statement No. 35. The net non-operating revenue totaled $38.9 million and $40.7 million for the years ended June 30, 2013 and 2012, respectively.
- Scholarships applied to student accounts are shown as a reduction of student tuition and residence fee revenue. Tuition waivers are reported as a scholarship expense. For the years ended June 30, 2013 and 2012, scholarship allowance totaled $27.0 million and $25.8 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $18.1 million and $17.6 million for the years ended June 30, 2013 and 2012, respectively.
- Unrestricted net position comprised various subcategories of designated and committed funds; however, GASB Statement No. 35 prohibits a breakdown of these designations on the face of the statement of net position. The College has many activities that require a certain level of reserves to be maintained. Examples include working capital reserves for auxiliary operations, educational and general activities, funding for debt service and capital reserves for planned construction efforts.

**Statement of Net Position**

The statement of net position presents the College's financial position at the end of the fiscal years 2013 and 2012, including all assets, liabilities and net position using the accrual basis of accounting. Assets and liabilities are generally measured using current values with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation, and long-term debt which is carried at cost.

Assets and liabilities are categorized as current and noncurrent and are shown in order of their relative liquidity. An asset's liquidity is determined by how readily it is expected to be converted to cash or whether restrictions limit the College's ability to use the resources. Current assets are generally considered to be convertible to cash within one year. Deferred outflows of resources are a consumption of net position by the College that is applicable to a future reporting period. A liability's liquidity is based on its maturity or when cash is expected to be used to liquidate it. Current liabilities are amounts becoming due and payable within the next year.

The difference between the College's assets, deferred outflows of resources, and liabilities is shown as net position. Net position is one indicator of the financial condition of the College, while the change in net position during the year is a measure of whether the overall condition has improved or worsened during the year.

Net position is classified into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant, and equipment. The second net position category is expendable restricted net position. These are available to the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on their usage.

Finally, unrestricted net position represent those balances from operational activities that have not been restricted by parties external to the College, such as donors or granting agencies. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the College's unrestricted net position has been designated for various academic and research programs and initiatives as well as capital projects. Also included are normal working capital balances maintained for departmental and auxiliary enterprise activities.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to ascertain how much the College owes external parties or employees. A summary of the College's assets, liabilities, and net position at June 30, 2013, 2012, and 2011 are as follows (2012 and 2011 amounts were restated as a result of the implementation of GASB Statement 65):

**Condensed Statement of Net Position**
**(Amounts in thousands)**

| | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Assets: | | | | |
| Current assets | $ | 103,666 | 95,209 | 101,311 |
| Capital assets, net | | 592,234 | 582,627 | 564,959 |
| Other noncurrent assets | | 34,963 | 44,416 | 56,043 |
| Total assets | | 730,863 | 722,252 | 722,313 |
| Deferred Outflows of Resources | | 23,806 | 25,052 | 28,943 |
| Liabilities: | | | | |
| Current liabilities | | 38,850 | 29,182 | 39,116 |
| Noncurrent liabilities | | 364,933 | 375,495 | 379,361 |
| Total liabilities | | 403,783 | 404,677 | 418,477 |
| Net Position: | | | | |
| Net investment in capital assets | | 229,996 | 224,346 | 212,893 |
| Restricted expendable | | 2,298 | 1,895 | 4,581 |
| Unrestricted | | 118,592 | 116,386 | 115,305 |
| Total net position | $ | 350,886 | 342,627 | 332,779 |

**Statement of Net Position Financial Highlights**

**Assets**

During fiscal year 2013, the College's total assets increased by $8.6 million or 1.2% and remained constant for fiscal year 2012. At June 30, 2013, the College's working capital, which is current assets less current liabilities, was $64.8 million, a decrease of $1.2 million from the previous year. The largest driver of this change was the increase in the current portion of long term debt.

The working capital is a key financial metric used to measure the College's liquidity for operations. It measures the institution's ability to satisfy its current obligations as they come due. With current assets at 2.7 and 3.3 times above current liabilities in fiscal years 2013 and 2012 respectively, the College had adequate liquidity to satisfy its current obligations.

*Cash and Investments*

The College's investment portfolio produced strong results for the fiscal year ended June 30, 2013 compared to the previous fiscal year. The combined portfolio generated a return of 3.8%, buoyed largely by the College's strategic investment in a long-term, diversified, multi-asset class portfolio, which returned 12.7% over the past 12 months. This exceeds the portfolio's benchmark, which returned 11.2% during the same period.

The College's short-duration fixed income portfolio generated a total return of 0.5%, relatively strong given the current near-zero interest rate environment, but less than its benchmark return of 0.7% during the same period. However, the College's Short-Duration portfolio is managed with less credit risk than its 1-3 year "A" rated or better index.

In fiscal year 2013, cash and cash equivalents increased by $6.2 million, or 10.5%, primarily due to cash receipts from operations plus reimbursements from deposits held by bond trustees for capital expenses paid in the previous year. This increase was offset by cash disbursements for operations including debt service payments. At June 30, 2013, investments totaled $38.0 million, representing an increase of $1.4 million due to the positive performance of the investment portfolio.

**Cash and Cash Equivalents and Investments**
**(Amounts in thousands)**

| | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 64,984 | 58,802 | 60,915 |
| Investments - short term | | 18,034 | 14,623 | 15,631 |
| Investments - long term | | 19,956 | 21,979 | 20,517 |
| Total cash and cash equivalents and investments | $ | 102,974 | 95,404 | 97,063 |

In fiscal year 2012, cash and cash equivalents decreased by $2.1 million, or 3.5%, primarily due to cash disbursements for operations including debt service payments. This decrease was offset by cash receipts from operations plus reimbursements from deposits held by bond trustees for capital expenses paid in the previous year. At June 30, 2012, investments totaled $36.6 million, representing an increase of $0.5 million due to positive performance of the investment portfolio.

*Deposits Held With Bond Trustees*

During fiscal years 2013 and 2012, deposits held with bond trustees decreased by $7.0 million, or 26.4%, and $16.2 million, or 37.8%, respectively. These decreases were primarily due to reimbursements from construction funds for debt financed capital expenditures. These decreases were offset by interest earnings on these deposits.

*Capital Assets*

At June 30, 2013, the College had $592.2 million invested in capital assets, net of accumulated depreciation of $213.3 million. Depreciation charges totaled $18.1 million for the current fiscal year. Capital additions are comprised of new construction and renovation of facilities. These additions were funded primarily by capital reserves and proceeds from bonds. The following is a breakdown of the net additions (transfers) for fiscal years ended June 30, 2013, 2012, and 2011:

**Capital Additions**
**(Amounts in thousands)**

| | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Additions (transfers): | | | | |
| Buildings and building improvements | $ | 60,511 | 9,867 | 3,411 |
| Land | | — | 459 | 532 |
| Works of Art/ Historical Treasure | | — | 392 | — |
| Infrastructure | | 501 | 1,064 | 2,923 |
| Equipment and other assets | | 2,515 | 4,268 | 2,689 |
| Construction in progress | | (35,803) | 19,212 | 27,134 |
| Net total additions | $ | 27,724 | 35,262 | 36,689 |

## Deferred Outflows of Resources

During fiscal years 2013 and 2012, the deferred outflows of resources consists of deferred payments from debt refunding, which decreased by $1.2 million and $1.2 million, respectively due to the amortization of these deferred payments.

## Liabilities

*Current Liabilities*

Current liabilities increased by $9.7 million, or 33.1%, in fiscal year 2013 due to increases in accounts payable including the accrual of construction related invoices that were not paid as of June 30, 2013. This coupled with an increase in the current portion of long term bonds payable accounted for the majority of this increase.

Current liabilities decreased by $9.9 million, or 25.4%, in fiscal year 2012 primarily due to decreases in accounts payable and the expiration of obligations under natural gas forward contracts.

*Noncurrent Liabilities*

During fiscal year 2013, noncurrent liabilities decreased by $10.6 million, or 2.8% primarily due to the repayment of principal on various bond issues coupled with an increase in the portion of long term bonds payable that is reported in the current liabilities category. This decrease includes a $1.3 million amortization of bonds premium.

During fiscal year 2012, noncurrent liabilities decreased by $3.9 million, or 1.0% primarily due to the repayment of principal on various bond issues coupled the refinancing of Series 2002 C bond issue. This decrease was net of a $2.5 million increase in bonds premium.

**Long-Term Debt**

The use of debt has been a key component in the College's transformation into a highly selective institution that has earned national recognitions for its commitment to academic excellence. The attractiveness of our facilities is an important factor in our ability to recruit highly qualified students. At June 30, 2013, the College had $370.8 million in outstanding bonds and other long-term obligations, compared to $374.5 million at June 30, 2012. TCNJ's debt burden is a function of the State's inability over the past two decades to finance academic infrastructure consistently and the College's strategic choice to invest and reinvest in the campus despite the state's inability. With interest rates at an all-time low, the College refinanced Series 2002 C bonds in fiscal year 2012 and realized present value debt service savings of $3.65 million.

Additional information about the College's existing long-term liabilities is presented in note 9 to the financial statements. At June 30, 2013, the College's bond ratings were as follows:

**Bond Rating and Outlook**

| | Fitch | Moody's Investors Service | Standard & Poor's |
|---|---|---|---|
| Long term rating | AA | A2 | A |
| Rating outlook | Stable | Stable | Stable |

**Net Position**

Net position represents the value of the College's assets after considering deferred outflows of resources and liabilities. The change in net position is one indicator of whether the overall financial condition has improved or worsened during the year. During fiscal years 2013 and 2012, the College's net position increased by $8.3 million, or 2.4%, and $9.8 million, or 3.0%, respectively. In both fiscal years, the increases were directly related to the College's positive operating performance.

At June 30, 2013 and 2012, the total net position was reflected in the following three component categories:

- Net investment in capital assets, represents the College's capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets. For fiscal years 2013 and 2012, this category had net increases of $5.7 million and $11.5 million, respectively, over the previous fiscal year. These changes were driven by investment in capital assets funded by debt issuance and capital reserves.

- Restricted Expendable Net Position contains resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During fiscal year 2013 this category increased by $0.4 million due to a decrease in student loan allowance. For fiscal year 2012, this category decreased by $2.7 million, primarily due to repayment of principal on outstanding debt.
- Unrestricted Net Position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the College's management or Board of Trustees. For fiscal years 2013 and 2012, this category increased by $2.2 million and $1.1 million, respectively over the previous fiscal year. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled the College to maintain its investment grade bond ratings.

**Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position presents the College's results of operations. The statement distinguishes revenues and expenses between operating and non-operating categories, and provides a view of the College's operating margin. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are incurred in the normal operation of the College, including a provision for estimated depreciation on capital assets.

Certain revenue sources that the College relies on for operations, including state appropriations and investment income, are required by GASB to be classified as non-operating revenues. Non-operating expenses include interest expense and certain costs related to capital assets. The College will always report an operating loss due to the types of revenues classified as non-operating. Therefore, the change in net position is more indicative of the overall financial results for the fiscal year.

The statement of revenues, expenses, and changes in net position reflect positive performances over the last three years with increases in net position at the end of each year. A summary of the College's revenues, expenses, and changes in net position for the years ended June 30, 2013, 2012, and 2011 is as follows:

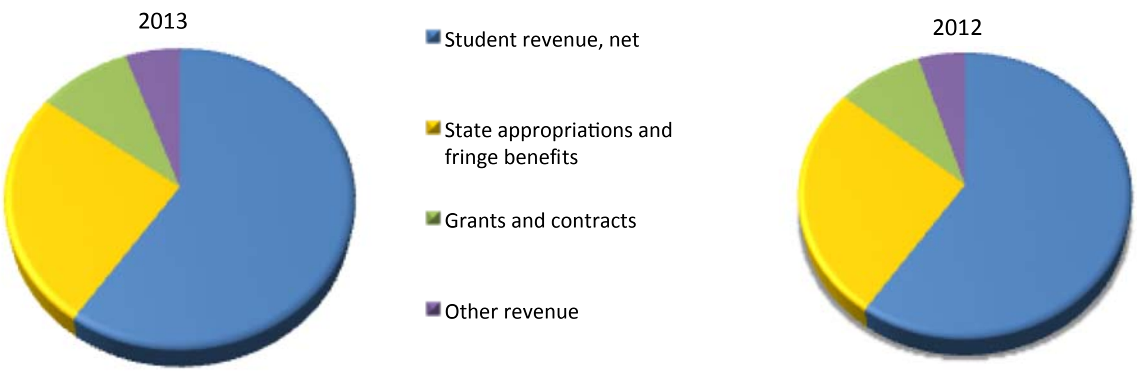
**Condensed Statement of Revenues, Expenses and Changes in Net Position (Amounts in thousands)**

| | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Net student revenues | $ | 124,559 | 121,876 | 117,193 |
| Government grants and contracts | | 19,550 | 18,195 | 16,958 |
| Auxiliary activities | | 4,445 | 4,450 | 4,220 |
| Other | | 4,619 | 3,433 | 3,523 |
| Operating revenues | | 153,173 | 147,954 | 141,894 |
| Instruction and research | | 66,513 | 64,375 | 62,339 |
| Auxiliary activities | | 29,864 | 28,692 | 29,261 |
| Institutional support | | 12,296 | 11,289 | 10,844 |
| Operation and maintenance of plant | | 21,216 | 22,508 | 21,806 |
| Student services | | 14,516 | 14,488 | 13,008 |
| Academic support | | 14,161 | 13,351 | 12,174 |
| Depreciation | | 18,117 | 17,594 | 17,713 |
| Other | | 7,162 | 6,484 | 6,450 |
| Operating expenses | | 183,845 | 178,781 | 173,595 |
| Operating loss | | (30,672) | (30,827) | (31,701) |
| NJ State and government appropriations | | 53,311 | 54,408 | 55,812 |
| Other expenses, net | | (14,380) | (13,733) | (14,505) |
| Net nonoperating revenues | | 38,931 | 40,675 | 41,307 |
| Increase in net position | | 8,259 | 9,848 | 9,606 |
| Net position, beginning of year | | 342,627 | 332,779 | 323,173 |
| Net position, end of year | $ | 350,886 | 342,627 | 332,779 |

## Statement of Revenues, Expenses, and Changes in Net Position Financial Highlights

### Revenues

The following is an illustration of revenues by source (both operating and non-operating), that were used to fund the College's activities for the years ended June 30, 2013 and 2012 (amounts in thousands):




| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Amount | | Percent | Amount | | Percent |
| | (Amounts in thousands) | | | | | |
| Student revenue, net | $ | 124,559 | 59.7% | $ | 121,876 | 59.6% |
| State appropriations and fringe benefits | | 53,311 | 25.5% | | 54,408 | 26.6% |
| Grants and contracts | | 19,550 | 9.4% | | 18,195 | 8.9% |
| Other revenue | | 11,362 | 5.4% | | 10,022 | 4.9% |
| | $ | 208,782 | 100.0% | $ | 204,501 | 100.0% |

### Operating Revenues

Operating revenues represent resources generated by the College in fulfilling its instruction, research and public service mandate. Total operating revenues increased by $5.2 million or 3.5% in fiscal year 2013, and by $6.1 million or 4.3% in fiscal year 2012.

*Tuition and Fees*

Tuition and fees revenues increased $4.8 million, or 4.5%, and $5.2 million, or 5.3%, in fiscal years 2013 and 2012, respectively. These increases were attributed to a strategic growth in enrollment coupled with tuition increases of 3.5% and 4.5% in fiscal years 2013 and 2012, respectively.

*Student Housing and Fees*

Student housing and fees revenues decreased by $0.9 million, or 2.0%, in fiscal year 2013 but increased by $0.7 million, or 1.6%, in fiscal year 2012. The fiscal year 2013 decrease resulted from a residence hall being taken off-line for the entire fiscal year to undergo a major renovation. As of June 30, 2013, the renovation was substantially complete and is on schedule for fall 2013 occupancy. This decrease was offset by a 3.0% increase in the room and board rates. In fiscal year 2012, there was a 3.1% increase in the room and board rates.

*Scholarship Allowance*

Scholarship allowance increased by $1.2 million, in fiscal years 2013 and 2012, representing a 4.6% and 4.9% increase respectively. In both fiscal years, the increases were primarily due to greater amounts of College funded scholarships being awarded to address the increased demand for financial aid. There were also modest increases in federal and state funded scholarships in fiscal year 2013.

**Scholarship Allowance**
**(Amounts in thousands)**

| | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| State scholarships | $ | 6,984 | 6,724 | 6,758 |
| Federal scholarships | | 5,464 | 5,359 | 5,152 |
| College scholarships | | 14,581 | 13,747 | 12,703 |
| Total scholarships | $ | 27,029 | 25,830 | 24,613 |

*Auxiliary Activities*

Auxiliary activities, which are self-supporting activities, accounted for approximately 3.0% of the total operating revenues in both fiscal years 2013 and 2012. Included in auxiliary activities are revenues derived primarily from commissions, conference and meeting services, and summer camp activities.

*Government Grants and Contracts*

The College recognizes revenues associated with the direct costs of grants and contracts as the related expenditures are incurred. In fiscal years 2013 and 2012, government grants and contracts had increases of $1.4 million and $1.2 million, or 7.4% and 7.3%, respectively, primarily due to the increase in federal and state grant activities.

**Nonoperating Revenues**

Nonoperating revenues are those not generated by the College's core mission and include such funding sources as investment income and New Jersey State support, appropriations and funding for fringe benefits.

*New Jersey State Appropriations*

New Jersey state appropriations represented 25.5% and 26.6% of the total College revenues in fiscal years 2013 and 2012, respectively. The level of state support is therefore a key factor influencing the College's overall financial condition. The state appropriations include amounts appropriated by the State legislature and employees' fringe benefits paid by the state.

The College reimburses the state for the fringe benefit cost for the number of employees who exceed the state authorized position count. Even though state appropriations are considered nonoperating revenue, the total amount supports operating expenses.

In fiscal year 2013, the gross state support to the College decreased by $1.0 million, or 2.0%. The base state appropriations remained stable but there was a $1.0 million decrease in fringe benefits funded by the State. In fiscal year 2012, the gross state support to the College decreased by $1.4 million, or 2.5%, due to a $1.2 million reduction to the base appropriation plus a $0.2 million decrease in fringe benefits funded by the State.

The breakdown of the state appropriations at June 30, 2013, 2012, and 2011 is as follows:

**State Appropriations**
**(Amounts in thousands)**

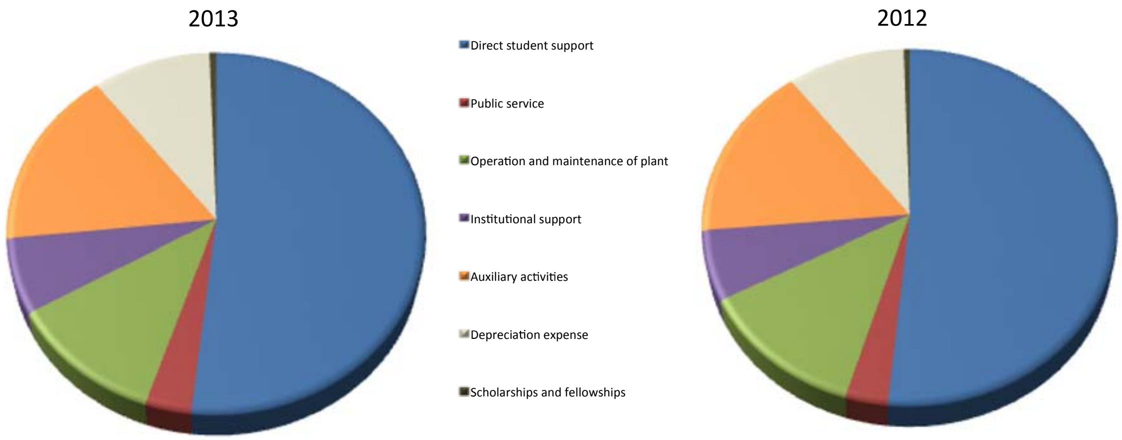
| | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| State appropriations | $ | 29,317 | 29,317 | 30,480 |
| Fringe benefits | | 23,994 | 25,091 | 25,332 |
| Gross state support | $ | 53,311 | 54,408 | 55,812 |

*Investment Income*

As one of the more volatile sources of non-operating revenues, investment income includes interest and dividend income as well as realized and unrealized gains and losses. During fiscal year 2013 the positive performance of the investment portfolio yielded a return of $1.4 million, or 4.0% compared to $0.5 million or 1.6% in fiscal year 2012.

## Expenses

The following is an illustration of operating expenses by function for the fiscal years ended June 30, 2013 and 2012 (amounts in thousands):




| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | | Amount | Percent | | Amount | Percent |
| | (Amounts in thousands) | | | | | |
| Instruction and research | $ | 66,513 | 36.2% | $ | 64,375 | 36.0% |
| Academic support | | 14,161 | 7.7% | | 13,351 | 7.5% |
| Student services | | 14,516 | 7.9% | | 14,488 | 8.2% |
| Direct student support | $ | 95,190 | 51.8% | $ | 92,214 | 51.7% |
| Public service | $ | 6,138 | 3.3% | $ | 5,582 | 3.1% |
| Operation and maintenance of plant | | 21,216 | 11.5% | | 22,508 | 12.6% |
| Institutional support | | 12,296 | 6.7% | | 11,289 | 6.3% |
| Auxiliary activities | | 29,864 | 16.2% | | 28,692 | 16.0% |
| Depreciation expense | | 18,117 | 9.9% | | 17,594 | 9.8% |
| Scholarships and fellowships | | 1,024 | 0.6% | | 902 | 0.5% |
| | $ | 183,845 | 100.0% | $ | 178,781 | 100.0% |

## Operating Expenses

The College has consistently demonstrated its commitment to preserving the quality of its academic programs despite the challenging fiscal environment by continuing to allocate a significant portion of its operating expenses to direct student support and to the college funded scholarships which is reported as a reduction of operating revenues.

In fiscal years 2013 and 2012, total operating expenses were $183.8 million and $178.8 million, respectively, representing an overall increase of 2.8% and 3.0%, respectively. In most functional categories, the increases resulted from contractual salary and related fringe benefit increases collectively bargained at the State level.

*Instruction and Research*

The combination of instruction and research represents the College's largest operating expense category. In fiscal years 2013 and 2012, both functional categories had increases primarily due to contractual salary and related fringe benefit increases.

*Academic Support*

In fiscal years 2013 and 2012, the increases of $0.8 million or 6.1% and $1.2 million or 9.7% resulted from expenditures for library acquisitions, computer hardware and software, academic lab equipment plus an increase in salary and fringe benefits, offset by the capitalization of some equipment.

*Public Service*

This category increased by $0.6 million or 10.0% in fiscal year 2013 but remained relatively stable in fiscal year 2012. Public services represent grant activities and academic enterprise programs geared toward community involvement and benefit, such the Bonner Center for Civic and Community Engagement and the Small Business Development Center.

*Student Services*

In fiscal year 2013, student service expenses remained relatively stable but increased by $1.5 million or 11.4%, during fiscal year 2012. The increase was primarily due to salary and fringe benefits increases, plus additional investment in the student affairs division for athletics team travel and computer software.

*Operation and Maintenance of Plant*

Operation and maintenance had a decrease of $1.2 million in fiscal year 2013, primarily due to lower fuel and utilities costs because of the expiration of the natural gas hedge program. This decrease was offset by an increase in salary and fringe benefits. In fiscal year 2012, the increase in operation and maintenance of plant was due to salary and related fringe benefits increases plus additional cost for property insurance.

*Institutional Support*

In fiscal year 2013, the $1.0 million or 8.9% increase in institutional support was primarily due to the strategic funding allocations for the institutional priorities within the divisions of College Advancement for fundraising activities. In addition, there were increases in administrative computing, in compensated absences for unused vacation accruals and in salary and related fringe benefits.

Institutional support had a modest increase of $0.5 million during fiscal year 2012 primarily due to the increase in publications and creative costs in admissions for strategic marketing initiatives. The increase was offset by capitalization of computer and other equipment.

*Auxiliary Activities*

The $1.2 million or 4.1% increase during fiscal year 2013, in auxiliary activities can be attributed primarily to increased cost of the student meal plan, housekeeping operations, and salary and fringe benefits. There was also a one-time subsidy for transportation and hotels rentals for residential students displaced because a residence hall was taken off-line for a major renovation. This increase was offset by savings in fuel and utilities.

The $569 thousand or 2.0% decrease during fiscal year 2012, in auxiliary activities can be attributed primarily to reduction in fuel and utility costs, offset by increased meal plans and salary and fringe benefits expenses.

*Depreciation Expense*

Depreciation expense increased by $0.5 million or 3.0%, in fiscal year 2013 due to additional capital expenditures in investment in plant which was eligible to be depreciated during the fiscal year.

In fiscal year 2012, depreciation expense decreased by $119 thousand or 0.7%, due to some equipment assets being fully depreciated during the prior fiscal year.

**Nonoperating Expenses**

Nonoperating expenses are those not incurred by the College's core mission and include such activities as interest on debt and transactions with institutionally affiliated organizations.

*Interest Expense*

Interest expense is traditionally partially offset by the amount of interest capitalized during the construction phase of major projects. Interest expense increased by $1.6 million or 10.6% for fiscal year 2013, mainly due to the reduction in capitalized interest on the Series 2010 A&B bonds that were used to finance the construction of a new building for the School of Education. In fiscal year 2012 interest expense decreased $0.9 million or 5.6% due to lower debt service. In both fiscal years, interest expense was offset by the amortization of bonds premium.

*Transactions with Affiliates*

The College's affiliates include the College of New Jersey Foundation and Trenton State College Corporation. Examples of transactions that are reflected in affiliate transfers include: funds disbursed from the Foundation for institutional scholarship support, restricted funds disbursements and transfer of properties. Transactions with affiliates had a net decrease of $0.7 million in fiscal year 2013. The above change resulted from a net increase in Foundation activity for institutional scholarship support and restricted funds disbursements. This was offset by a significant decrease in the Corporation's affiliate transfers because in fiscal year 2012 six strategic properties totaling $967 thousand were transferred to the College. In fiscal year 2012, transactions with affiliates had a net increase of $77 thousand.

*Other Revenues (Expenses), Net*

In fiscal year 2013 other non-operating expenses increased $765 thousand and in fiscal year 2012 other non-operating expenses increased $295 thousand. Both fluctuations are mainly attributable to the costs associated with a bond refinancing during fiscal year 2012.

**Operating Margin**

In fiscal years 2013 and 2012, operating losses were $30.7 million and $30.8 million, respectively; however, nonoperating revenues offset these operating losses. GASB standards require that state appropriations, which are used solely for operations, be classified as nonoperating, thus creating these significant losses. A measure of the College's operating performance is the operating margin ratio, which considers government appropriations and investment income as operating revenues and interest expense as an operating expense. The College has been able to generate solid operating margins despite unstable and declining net state support. The College's operating margin remains healthy, averaging 6.2% for the last three fiscal years providing adequate annual debt service coverage of 2.6 times.

**Economic Factors that Will Affect the Future**

The College has a long tradition of prudent financial planning, and resource allocation that has allowed it to continue strengthening its financial position through positive operating results and responding to future challenges and opportunities. For the fiscal years ending June 30, 2013 and 2012, the College finished with $8.3 million and $9.8 million, or 2.4% and 3.0%, increase in net position, respectively. The increase in net position is one indicator that the College's financial health continues to improve, reflecting sound and careful fiscal management across the institution.

In the last two years, TCNJ has received stable funding in its base state appropriation; however, the non-cash fringe appropriations have decreased due to the State's efforts to control the state-funded portions of these programs. Because the State continues to face fiscal pressures, it is unlikely that this pattern of flat funding of the base state appropriations will change; consequently, it is also unlikely that state support will keep pace with the College's needs.

Cognizant of our responsibility to allocate resources strategically and keep the cost of education at TCNJ affordable, the College has identified areas for focused review and strategies to ensure the maintenance of the College's long-term financial health. These focused reviews should provide the foundation for improvement in the structure and processes of strategic planning as well as facilities master planning. These planning enhancements will depend on a better understanding of the increasing demand for institutional scholarships, strategic enrollment management and thoughtful investment in academic and student development programs. The strategies include cost containment initiatives, review of the organizational structure to generate financial efficiencies and preserve organizational effectiveness, investment in facilities, expansion of fund-raising activities, diversification of revenues, and enhancement of entrepreneurial activity.

The state and national economy will continue to pose budgetary challenges for the College in the future. However, the College is poised to make significant strategic investments over the next several years based on our improved financial position. The College is included on the list of over $700 million worth of capital projects signed off by Governor Christie. The largest portion of our $57 million allocation will be invested in a new building to support science, technology, engineering and mathematics (STEM). The remainder of the $57 million will be used for improvements in the science building and academic equipment acquisition. The state funds combined with institutional dollars and partnerships investments in the Campus Town project and the student center renovation and addition, all combined represent over $200 million worth of capital investments that will be occurring on our campus over the next 5 years.

A healthy student demand and favorable market position as evidenced by steadily increasing enrollment applications, our sustained ability to attract and retain high-achieving students and our consistently strong operating performance, are all factors in the positive outlook for the College of New Jersey. Management believes that the College is well positioned to continue providing excellence in educational programs to our students and service to the State.

# STATEMENT OF NET POSITION

June 30, 2013

(Amounts in thousands)

| Assets | | Business-Type Activities The College of New Jersey | Component Unit The College of New Jersey Foundation, Inc. | Total |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | $ | 64,984 | 1,788 | 66,772 |
| Receivables: | | | | |
| Student accounts, net of allowance of doubtful accounts of $132 | | 1,415 | — | 1,415 |
| Student loans | | 842 | — | 842 |
| Grants | | 3,999 | — | 3,999 |
| Due from State of New Jersey (note 5) | | 1,224 | — | 1,224 |
| Due from affiliates (note 3) | | 699 | — | 699 |
| Other | | 867 | 389 | 1,256 |
| Total receivables | | 9,046 | 389 | 9,435 |
| Investments (notes 4 and 17) | | 18,034 | 1,356 | 19,390 |
| Restricted deposits held with bond trustees (note 7) | | 11,001 | — | 11,001 |
| Prepaid expenses and other assets | | 601 | — | 601 |
| Total current assets | | 103,666 | 3,533 | 107,199 |
| Noncurrent assets: | | | | |
| Student loans receivable, net of allowance of doubtful loans of $269 | | 3,036 | — | 3,036 |
| Restricted deposits held with bond trustees (note 7) | | 8,609 | — | 8,609 |
| Other assets | | — | 4 | 4 |
| Investments (notes 4 and 17) | | 19,956 | 465 | 20,421 |
| Restricted investments (notes 4 and 17) | | — | 24,534 | 24,534 |
| Prepaid insurance premium costs, net of accumulated amortization of $834 | | 3,362 | — | 3,362 |
| Capital assets, net (note 6) | | 592,234 | — | 592,234 |
| Total noncurrent assets | | 627,197 | 25,003 | 652,200 |
| Total assets | | 730,863 | 28,536 | 759,399 |
| **Deferred Outflows of Resources** | | | | |
| Deferred amounts from debt refunding | | 23,806 | — | 23,806 |
| **Liabilities** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses (note 8) | | 22,824 | 380 | 23,204 |
| Compensated absences – current portion (note 12) | | 3,298 | — | 3,298 |
| Due to affiliates (note 3) | | 87 | 735 | 822 |
| Unearned revenue and student deposits | | 1,929 | — | 1,929 |
| Bonds payable – current portion, including net premium of $1,331 (note 9) | | 10,246 | — | 10,246 |
| Other long-term obligations – current portion (note 9) | | 466 | — | 466 |
| Total current liabilities | | 38,850 | 1,115 | 39,965 |
| Noncurrent liabilities (note 9): | | | | |
| Compensated absences – noncurrent (note 12) | | 384 | — | 384 |
| U.S. and Government grants refundable | | 4,414 | — | 4,414 |
| Bonds payable – noncurrent, including net premium of $9,719 (note 9) | | 353,694 | — | 353,694 |
| Other long-term obligations (note 9) | | 6,441 | 2,192 | 8,633 |
| Total noncurrent liabilities | | 364,933 | 2,192 | 367,125 |
| Total liabilities | | 403,783 | 3,307 | 407,090 |
| **Net Position** | | | | |
| Net investment in capital assets | | 229,996 | — | 229,996 |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Scholarships | | — | 6,679 | 6,679 |
| Other programs | | — | 1,836 | 1,836 |
| Expendable: | | | | |
| Scholarships | | — | 9,837 | 9,837 |
| Research | | — | 85 | 85 |
| Other | | 1,840 | 3,538 | 5,378 |
| Student loans | | 458 | — | 458 |
| Unrestricted (note 13) | | 118,592 | 3,254 | 121,846 |
| Total net position | $ | 350,886 | 25,229 | 376,115 |

See accompanying notes to financial statements.

# STATEMENT OF NET POSITION

June 30, 2012

(Amounts in thousands)

| Assets | Business-Type Activities The College of New Jersey | Component Unit The College of New Jersey Foundation, Inc. | Total |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ 58,802 | 835 | 59,637 |
| Receivables: | | | |
| Student accounts, net of allowance of doubtful accounts of $323 | 2,744 | — | 2,744 |
| Student loans | 833 | — | 833 |
| Grants | 3,635 | — | 3,635 |
| Due from State of New Jersey (note 5) | 1,682 | — | 1,682 |
| Other | 1,554 | 32 | 1,586 |
| Total receivables | 10,448 | 32 | 10,480 |
| Investments (notes 4 and 17) | 14,623 | 2,276 | 16,899 |
| Restricted deposits held with bond trustees (note 7) | 10,449 | — | 10,449 |
| Prepaid expenses and other assets | 887 | — | 887 |
| Total current assets | 95,209 | 3,143 | 98,352 |
| Noncurrent assets: | | | |
| Student loans receivable, net of allowance of doubtful loans of $626 | 2,718 | — | 2,718 |
| Restricted deposits held with bond trustees (note 7) | 16,196 | — | 16,196 |
| Other assets | — | 10 | 10 |
| Investments (notes 4 and 17) | 21,979 | 115 | 22,094 |
| Restricted investments (notes 4 and 17) | — | 21,424 | 21,424 |
| Prepaid insurance premium costs, net of accumulated amortization of $672 | 3,523 | — | 3,523 |
| Capital assets, net (note 6) | 582,627 | — | 582,627 |
| Total noncurrent assets | 627,043 | 21,549 | 648,592 |
| Total assets | 722,252 | 24,692 | 746,944 |
| **Deferred Outflows of Resources** | | | |
| Deferred amounts from debt refunding | 25,052 | — | 25,052 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses (note 8) | 19,502 | 503 | 20,005 |
| Compensated absences – current portion (note 12) | 3,090 | — | 3,090 |
| Due to/(from) affiliates (note 3) | 32 | — | 32 |
| Unearned revenue and student deposits | 2,928 | — | 2,928 |
| Bonds payable – current portion, including net premium of $1,341 (note 9) | 3,181 | — | 3,181 |
| Other long-term obligations – current portion (note 9) | 449 | — | 449 |
| Total current liabilities | 29,182 | 503 | 29,685 |
| Noncurrent liabilities (note 9): | | | |
| Compensated absences – noncurrent (note 12) | 234 | — | 234 |
| U.S. and Government grants refundable | 4,414 | — | 4,414 |
| Bonds payable – noncurrent, including net premium of $11,050 (note 9) | 363,940 | — | 363,940 |
| Other long-term obligations (note 9) | 6,907 | 2,292 | 9,199 |
| Total noncurrent liabilities | 375,495 | 2,292 | 377,787 |
| Total liabilities | 404,677 | 2,795 | 407,472 |
| **Net Position** | | | |
| Net investment in capital assets | 224,346 | — | 224,346 |
| Restricted: | | | |
| Nonexpendable: | | | |
| Scholarships | — | 5,886 | 5,886 |
| Other programs | — | 1,836 | 1,836 |
| Expendable: | | | |
| Scholarships | — | 8,047 | 8,047 |
| Research | — | 161 | 161 |
| Other | 1,837 | 2,835 | 4,672 |
| Student loans | 58 | — | 58 |
| Unrestricted (note 13) | 116,386 | 3,132 | 119,518 |
| Total net position | $ 342,627 | 21,897 | 364,524 |

See accompanying notes to financial statements.

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2013

(Amounts in thousands)

| | | Business-Type Activities The College of New Jersey | Component Unit The College of New Jersey Foundation, Inc. | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Student revenues: | | | | |
| Student tuition and fees | $ | 109,455 | — | 109,455 |
| Less tuition scholarship allowances | | (21,129) | — | (21,129) |
| Net student tuition and fees | | 88,326 | — | 88,326 |
| Student housing and fees | | 42,133 | — | 42,133 |
| Less housing scholarship allowances | | (5,900) | — | (5,900) |
| Net student housing and fees | | 36,233 | — | 36,233 |
| Federal grants and contracts | | 9,479 | — | 9,479 |
| State of New Jersey grants and contracts | | 10,071 | — | 10,071 |
| Auxiliary activities | | 4,445 | — | 4,445 |
| Contributions | | — | 1,954 | 1,954 |
| Interest on student loans receivable | | 88 | — | 88 |
| Other operating revenues | | 4,531 | 1,772 | 6,303 |
| Total operating revenues | | 153,173 | 3,726 | 156,899 |
| Operating expenses: | | | | |
| Instruction | | 57,493 | — | 57,493 |
| Research | | 9,020 | — | 9,020 |
| Academic support | | 14,161 | — | 14,161 |
| Public service | | 6,138 | — | 6,138 |
| Student services | | 14,516 | — | 14,516 |
| Operation and maintenance of plant | | 21,216 | — | 21,216 |
| Institutional support | | 12,296 | — | 12,296 |
| Scholarships and fellowships | | 1,024 | 852 | 1,876 |
| Auxiliary activities | | 29,864 | — | 29,864 |
| Fundraising | | — | 183 | 183 |
| Depreciation | | 18,117 | — | 18,117 |
| Total operating expenses | | 183,845 | 1,035 | 184,880 |
| Operating (loss) income | | (30,672) | 2,691 | (27,981) |
| Nonoperating revenues (expenses): | | | | |
| State of New Jersey appropriations | | 29,317 | — | 29,317 |
| State of New Jersey fringe benefits | | 23,994 | — | 23,994 |
| Investment income (loss) | | 1,448 | 2,258 | 3,706 |
| Interest expense | | (16,386) | — | (16,386) |
| Transactions with affiliates (note 3) | | 850 | (2,151) | (1,301) |
| Other revenues (expenses), net | | (292) | (260) | (552) |
| Net nonoperating revenues (expenses) | | 38,931 | (153) | 38,778 |
| Income before other revenues | | 8,259 | 2,538 | 10,797 |
| Additions to permanent endowments | | — | 794 | 794 |
| Increase in net position | | 8,259 | 3,332 | 11,591 |
| Net position as of beginning of year | | 342,627 | 21,897 | 364,524 |
| Net position as of end of year | $ | 350,886 | 25,229 | 376,115 |

See accompanying notes to financial statements.

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2012

(Amounts in thousands)

| | | Business-Type Activities The College of New Jersey | Component Unit The College of New Jersey Foundation, Inc. | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Student revenues: | | | | |
| Student tuition and fees | $ | 104,693 | — | 104,693 |
| Less tuition scholarship allowances | | (20,076) | — | (20,076) |
| Net student tuition and fees | | 84,617 | — | 84,617 |
| Student housing and fees | | 43,013 | | 43,013 |
| Less housing scholarship allowances | | (5,754) | — | (5,754) |
| Net student housing and fees | | 37,259 | — | 37,259 |
| Federal grants and contracts | | 8,704 | — | 8,704 |
| State of New Jersey grants and contracts | | 9,491 | — | 9,491 |
| Auxiliary activities | | 4,450 | — | 4,450 |
| Contributions | | — | 1,657 | 1,657 |
| Interest on student loans receivable | | 84 | — | 84 |
| Other operating revenues | | 3,349 | 1,431 | 4,780 |
| Total operating revenues | | 147,954 | 3,088 | 151,042 |
| Operating expenses: | | | | |
| Instruction | | 55,616 | — | 55,616 |
| Research | | 8,759 | — | 8,759 |
| Academic support | | 13,351 | — | 13,351 |
| Public service | | 5,582 | — | 5,582 |
| Student services | | 14,488 | — | 14,488 |
| Operation and maintenance of plant | | 22,508 | — | 22,508 |
| Institutional support | | 11,289 | — | 11,289 |
| Scholarships and fellowships | | 902 | 715 | 1,617 |
| Auxiliary activities | | 28,692 | — | 28,692 |
| Fundraising | | — | 107 | 107 |
| Depreciation | | 17,594 | — | 17,594 |
| Total operating expenses | | 178,781 | 822 | 179,603 |
| Operating (loss) income | | (30,827) | 2,266 | (28,561) |
| Nonoperating revenues (expenses): | | | | |
| State of New Jersey appropriations | | 29,317 | — | 29,317 |
| State of New Jersey fringe benefits | | 25,091 | — | 25,091 |
| Investment income (loss) | | 556 | (13) | 543 |
| Interest expense | | (14,815) | — | (14,815) |
| Transactions with affiliates (note 3) | | 1,583 | (2,462) | (879) |
| Other revenues (expenses), net | | (1,057) | (242) | (1,299) |
| Net nonoperating revenues (expenses) | | 40,675 | (2,717) | 37,958 |
| Income (loss) before other revenues | | 9,848 | (451) | 9,397 |
| Additions to permanent endowments | | — | 825 | 825 |
| Increase in net position | | 9,848 | 374 | 10,222 |
| Net position as of beginning of year, as restated (note 2) | | 332,779 | 21,523 | 354,302 |
| Net position as of end of year | $ | 342,627 | 21,897 | 364,524 |

See accompanying notes to financial statements.

# STATEMENTS OF CASH FLOWS

(Business-Type Activities – College only)

Years ended June 30, 2013 and 2012

(Amounts in thousands)

| | | 2013 | 2012 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Student tuition and fees | $ | 88,329 | 85,241 |
| Federal, State, and local grants and contracts | | 19,186 | 18,620 |
| Payments to suppliers | | (42,079) | (43,239) |
| Payments to employees | | (92,617) | (90,993) |
| Payments for benefits | | (3,477) | (3,361) |
| Student housing and auxiliary activities | | 40,678 | 41,709 |
| Other receipts, net | | 4,619 | 3,433 |
| Net cash provided by operating activities | | 14,639 | 11,410 |
| Cash flows from noncapital financing activities: | | | |
| New Jersey State appropriations | | 29,317 | 29,317 |
| Other receipts, net | | 332 | 2,505 |
| Net cash provided by noncapital financing activities | | 29,649 | 31,822 |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | | (26,112) | (31,935) |
| Net withdrawals from deposits held with bond trustees | | 7,603 | 12,778 |
| Bond debt retirement | | — | (33,070) |
| Proceeds from bond issuance | | — | 29,842 |
| Principal payments on bonds and other obligations | | (2,289) | (2,358) |
| Interest payments on bonds and other obligations | | (17,368) | (20,727) |
| Net cash used by capital and related financing activities | | (38,166) | (45,470) |
| Cash flows from investing activities: | | | |
| Interest on investments | | 60 | 47 |
| Purchases of investments | | — | (10,000) |
| Maturities of investments | | — | 10,078 |
| Net cash provided by investing activities | | 60 | 125 |
| Net change in cash and cash equivalents | | 6,182 | (2,113) |
| Cash and cash equivalents as of beginning of year | | 58,802 | 60,915 |
| Cash and cash equivalents as of end of year | $ | 64,984 | 58,802 |
| Reconciliation of operating loss to net cash provided by operating activities: | | | |
| Operating loss | $ | (30,672) | (30,827) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | | |
| Depreciation | | 18,117 | 17,594 |
| State of New Jersey fringe benefits | | 23,994 | 25,091 |
| Changes in assets and liabilities: | | | |
| Receivables, net | | 1,084 | (49) |
| Prepaid expenses | | 286 | (96) |
| Accounts payable and accrued expenses | | 3,112 | 296 |
| Accrued salaries | | (338) | (830) |
| Other accrued expenses | | 55 | (21) |
| Unearned revenue and student deposits | | (999) | 252 |
| Net cash provided by operating activities | $ | 14,639 | 11,410 |

See accompanying notes to financial statements.

## (1) Organization

The College of New Jersey (the College) is a mid-sized, comprehensive public college that concentrates primarily on the undergraduate experience. Baccalaureate and master's degrees are offered through the academic programs of the College's seven schools (Arts and Communication; Business; Education; Culture and Society; Science; Nursing, Health, and Exercise Science; and Engineering). In the fall of 2012, the College enrolled 6,416 full-time equated undergraduate students and 383 full-time equated graduate students. The College has residential facilities that house more than half of the students on campus.

The College is recognized as a public institution of higher education by the State of New Jersey (the State) and, accordingly, the State Legislature appropriates funds annually to support the College. Under the law, the College is an instrumentality of the State with a high degree of autonomy. However, pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, the College is considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the College are included in the State's Comprehensive Annual Financial Report.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

The accounting policies of the College conform to all 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 that 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:***

  *Nonexpendable:* Net position that is subject to externally imposed stipulations and must be maintained permanently by the College.

  *Expendable:* Net position that is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.
- ***Unrestricted:*** Net position that is not subject to externally imposed stipulations and may be designated for specific purposes by action of management to the board of trustees.

  When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

***(b) 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 College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

***(c) Cash and Cash Equivalents***

Cash and cash equivalents consist primarily of investments with the New Jersey State Cash Management Fund that are combined into a large scale investment program with amounts contributed by other state entities. These investments consist primarily of U.S. Treasury issues, commercial paper and certificates of deposit. All highly liquid investments purchased with an original maturity of three months or less was classified as cash equivalents.

***(d) Restricted Deposits Held with Bond Trustees***

Restricted deposits held with bond trustees are reflected at fair value, which is based on quoted market prices. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. The College's financial statements for fiscal years 2013 and 2012 reflect a net decrease in fair value of investments of $2 and $23, respectively.

***(e) Investments***

Investments are reflected at fair value, which is based on quoted market prices. 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 both realized and unrealized gains and losses) are reported in investment income.

***(f) Capital Assets***

Capital assets include buildings, equipment, library books, works of art, and infrastructure assets, such as roads and sidewalks. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Building improvements and infrastructure costing over $5,000, equipment items with a unit cost of $3,000 or more, land improvements over $25,000, and software implementation over $100,000 are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized.

Notes to the Financial Statements (dollar amounts in thousands)

Capital assets of the College are depreciated using the straight line method over the following useful lives:

| Capital asset | Useful lives |
|---|---|
| Buildings | 30 to 50 years |
| Infrastructure | 35 years |
| Land and building improvements | 25 years |
| Equipment and other assets | 5 to 10 years |

Estimated obligations to complete construction in progress as of June 30, 2013 are approximately $7,232. Such construction is principally financed by proceeds from long term debt and capital reserves.

***(g) Unearned Revenue***

Unearned revenue represents tuition and fees collected in advance of the fiscal year.

***(h) Student Activity Fees***

It is the policy of the College to collect the student activity fees for the Student Finance Board. Revenues and related remittance of these fees to the Student Finance Board of $1,678 and $1,594 in fiscal years 2013 and 2012, respectively, have not been included in the accompanying financial statements.

***(i) Tuition and Fees***

Student tuition and fees are presented net of scholarships applied to student accounts, while employee tuition and graduate assistant waivers are presented as scholarship expense.

***(j) Operating Activities***

The College's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net position are those that serve the College's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include: student tuition and fees, net of scholarship allowances, and most Federal, State and private grants and contracts. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income. Interest expense is reported as a nonoperating expense.

***(k) Student Housing and Fees***

Student housing and fees are comprised mainly of revenues received from student housing and student center fees.

***(l) New Accounting Standards Adopted***

In fiscal year 2013, the College 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 College. Implementation of GASB 61 had no effect on the College'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 effect on the College's net position or changes in net position 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 to report 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 and effect of adoption resulting from the implementation of GASB 63 in the College's financial statements was the reclassification of deferred amount on debt refunding to deferred outflows of resources and renamed all references of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). GASB 65 is effective for the College's financial statements for the fiscal year ending June 30, 2014, however, the College early adopted the provisions in fiscal year 2013 effective as of July 1, 2011.

Notes to the Financial Statements (dollar amounts in thousands)

Following is a reconciliation of the major categories in the College's June 30, 2012 financial statements affected by the adoption as previously reported to the restated amounts for the same period:

| Adoption of GASB 65 | | | | |
|---|---|---|---|---|
| | | As previously reported | Adjustments | As restated |
| Statement of Net Position as of June 30, 2012: | | | | |
| Prepaid expenses and deferred financing costs | $ | 2,689 | (1,802) | 887 |
| Deferred financing costs | | 34,803 | (34,803) | — |
| Prepaid insurance premium costs | | — | 3,523 | 3,523 |
| Deferred amounts from bond refunding | | — | 25,052 | 25,052 |
| Unrestricted net position | | 124,416 | (8,030) | 116,386 |
| Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2012: | | | | |
| Other revenues (expenses) | | (1,289) | 232 | (1,057) |
| Net position as of beginning of year | | 341,041 | (8,262) | 332,779 |
| Net position as of end of year | | 350,657 | (8,030) | 342,627 |

### (m) *Income Taxes*

The College is exempt from income taxes on related income pursuant to Federal and State tax laws as an instrumentality of the State of New Jersey.

### (n) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## (3) Transactions with Affiliates

### (a) *The College of New Jersey Foundation*

The College of New Jersey Foundation, Inc. (the Foundation) has approved payments to the College for restricted private grants, and donated capital assets of $2,151 and $2,462 during fiscal years 2013 and 2012, respectively. As of June 30, 2013 a net receivable of $699 was due from the Foundation, and as of June 30, 2012 a net payable of $3 was due to the Foundation. Additional information about the Foundation is presented in note 17 to the financial statements.

***(b) Trenton State College Corporation***

Trenton State College Corporation (TSC Corporation or the Corporation) assists in the development and growth of the College through property acquisitions and facilities management. The accompanying financial statements do not include the activities of the TSC Corporation. The New Jersey Board of Higher Education approved the Corporation on April 15, 1988, in accordance with the Public College Auxiliary Organizations Act, P.L. 1982.

During 2013 and 2012, the College incurred $295 and $344, respectively, in rent and related expenses paid to the Corporation for usage of space in homes owned by the Corporation. In addition, the College reimbursed the Corporation for expenses associated with the maintenance of College owned properties. As of June 30, 2013 and 2012, there were outstanding payables due to the Corporation relating to these expenses of $128 and $62, respectively.

Additionally, the Corporation pays the College for the portion of salaries and benefits of College employees who perform functions for the Corporation and any expenses applicable to the Corporation. This amounted to $296 and $304 for June 30, 2013 and 2012, respectively, of which $41 and $34 were due to the College as of June 30, 2013 and 2012, respectively.

The Corporation had purchased some Transfer Housing facilities in order to provide additional housing for the College’s students. During fiscal years 2013 and 2012, the College reimbursed the Corporation for expenses incurred while maintaining the Transfer Housing facilities plus a management fee. The expenses reimbursed to the Corporation for Transfer Housing during fiscal years 2013 and 2012 were $200 and $213, respectively.

In fiscal year 2010, the Corporation and the College executed an agreement to transfer to the College a total of ten properties, six of which were needed for the future development of a campus town and the remaining four as part of the strategic acquisition plan of the College. The Corporation transferred the four strategic acquisition properties valued at $868 to the College during 2011. The remaining six campus town properties valued at $967 were transferred during 2012. In exchange for this, the College did not request the Corporation reimburse the College for the $1,811 that the College initially provided to the Corporation to purchase and renovate the Country Club Apartments. The College provided the difference of $26 to the Corporation during 2012.

## (4) Cash, Cash Equivalents, and Investments

Cash and cash equivalents were $64,984 and $58,802 as of June 30, 2013 and 2012, respectively, which included $60,384 and $55,414, respectively, held in the State of New Jersey Cash Management fund and $4,600 and $3,388, respectively, held in various accounts at Wells Fargo Bank. Of the amounts held at Wells Fargo Bank, $250 was insured by the Federal Deposit Insurance Corporation (FDIC) and the excess of FDIC coverage are collateralized pursuant to New Jersey Statute 52:18-16-1.

The College 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 operations of the Cash Management Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments. 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. The Cash Management Fund is unrated with a portfolio maturity of less than one year.

The College has an investment policy, approved by the Board of Trustees, that establishes guidelines for permissible investments. The College may invest in equities, real estate assets, inflation hedge and fixed income assets. The amount approved for investment in equities, real estate assets and inflation hedges is approximately 10% of the total cash and investment balance, also referred to as the Multi-Asset Class Managed (MACM) portfolio. The College holds this MACM balance in a managed account with PFM Asset Management LLC. Permissible fixed income assets include obligations of the U.S. Government, the State of New Jersey Cash Management Fund, collateralized certificates of deposit with at least an Aa rating, corporate notes and bonds with at least an A3 rating, commercial paper with at least a P1 rating, bankers' acceptances with at least a P1 rating, municipal debt with at least an Aa3 rating, repurchase agreements and money market funds. The fixed income securities portfolio consists of A or better rated fixed income investments including U.S. Treasury bonds and notes, U.S. Government supported corporate debt, federal agency bonds and notes, municipal bonds, and corporate notes. The Commonfund is a nonprofit provider of intermediate-term fixed income investment products for nonprofit institutional clients.

Notes to the Financial Statements (dollar amounts in thousands)

The College's investments as of June 30, 2013 and 2012 are as follows:

| Investments | | 2013 | 2012 |
|---|---|---|---|
| Mutual funds: | | | |
| Domestic equities | $ | 5,359 | 4,231 |
| International equities | | 2,601 | 2,142 |
| Real estate | | 407 | 382 |
| Inflation hedge | | — | 339 |
| Fixed income | | 3,178 | 3,148 |
| Mutual funds total | | 11,545 | 10,242 |
| U.S. Treasury bonds and notes | | 10,558 | 6,864 |
| U.S. Government agencies | | 6,466 | 13,333 |
| Corporate notes | | 6,959 | 4,802 |
| Municipal bond | | 1,326 | 385 |
| Money market fund | | 990 | 834 |
| Commonfund – Intermediate-term fund | | 146 | 142 |
| Total | $ | 37,990 | 36,602 |

The College's investments are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks is discussed in more detail below.

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 College's fixed income investments were rated as follows:

**Fixed Income Investments Ratings 2013**

| Rating | | Total | U.S. Treasury bonds and notes | U.S. Government agencies | Corporate notes | Municipal bond | Money market fund |
|---|---|---|---|---|---|---|---|
| Aaa | $ | 18,014 | 10,558 | 6,466 | — | — | 990 |
| Aa1 | | 799 | — | — | 232 | 567 | — |
| Aa2 | | 635 | — | — | — | 635 | — |
| Aa3 | | 1,939 | — | — | 1,939 | — | — |
| A1 | | 1,705 | — | — | 1,705 | — | — |
| A2 | | 2,434 | — | — | 2,434 | — | — |
| A3 | | 649 | — | — | 649 | | — |
| NR | | 124 | — | — | — | 124 | — |
| Total | $ | 26,299 | 10,558 | 6,466 | 6,959 | 1,326 | 990 |

Notes to the Financial Statements (dollar amounts in thousands)

| Fixed Income Investments Ratings 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Rating | | Total | U.S. Treasury bonds and notes | U.S. Government agencies | Corporate notes | Municipal bond | Money market fund |
| Aaa | $ | 21,031 | 6,864 | 13,333 | — | — | 834 |
| Aa2 | | 691 | — | — | 306 | 385 | — |
| Aa3 | | 2,121 | — | — | 2,121 | — | — |
| A1 | | 721 | — | — | 721 | — | — |
| A2 | | 1,654 | — | — | 1,654 | — | — |
| Total | $ | 26,218 | 6,864 | 13,333 | 4,802 | 385 | 834 |

The Commonfund is a mutual fund. As of June 30, 2013 and 2012, the Commonfund intermediate term fund was not rated. Additionally, the fixed income mutual fund of $3,178 and $3,148, as of June 30, 2013 and 2012, respectively, was not rated.

The College's investment policy requires the following limits:

- Corporate Notes and Bonds – Issuers must have a long-term rating of at least A- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase.

- Certificates of Deposit – Issuers must have a minimum short-term rating of A-1 by Standard & Poor's or P1 by Moody's or a minimum long-term rating of A- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase.

- Commercial Paper – Issuers must have a short-term rating of at least A-1 by Standard & Poor's or P1 by Moody's. The maximum maturity of any investment in this sector is limited to 270 days from time of purchase.

- Bankers' Acceptances – Issuers must have a short-term rating of at least A-1 by Standard & Poor's and P1 by Moody's. The maximum maturity of any investment in this sector is limited to 180 days from time of purchase. No single corporate issuer shall exceed 5% of the College's portfolio.

- Municipal Debt Obligations – Issuers must have a long-term rating of at least A-- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase. No single issuer shall exceed 5% of the College's portfolio.

- Repurchase Agreements – No single repurchase agreement counterparty shall exceed 15% of the College's portfolio. The maximum maturity of any investment in this sector is limited to 90 days at time of purchase.

Notes to the Financial Statements (dollar amounts in thousands)

- Money Market Funds – Funds must be rated AAm by Standard & Poor's or Aa-mf by Moody's. No single fund in this category shall exceed 15% of the College's portfolio.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The College's investment policy provides limitations in the maturities of various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. As of June 30, 2013 and 2012, the College's fixed income investments had maturity dates as follows:

**Fixed Income Investments Maturity 2013**

| Maturing in years | | Total | U.S. Treasury bonds and notes | U.S. Government agencies | Corporate notes | Municipal bond | Money market fund |
|---|---|---|---|---|---|---|---|
| Less than 1 | $ | 6,342 | 2,711 | 1,891 | 750 | — | 990 |
| 1 – 5 | | 19,731 | 7,847 | 4,349 | 6,209 | 1,326 | — |
| 6 – 10 | | 226 | — | 226 | — | — | — |
| Total | $ | 26,299 | 10,558 | 6,466 | 6,959 | 1,326 | 990 |

**Fixed Income Investments Maturity 2012**

| Maturing in years | | Total | U.S. Treasury bonds and notes | U.S. Government agencies | Corporate notes | Municipal bond | Money market fund |
|---|---|---|---|---|---|---|---|
| Less than 1 | $ | 4,221 | — | 2,463 | 924 | — | 834 |
| 1 – 5 | | 21,997 | 6,864 | 10,870 | 3,878 | 385 | — |
| Total | $ | 26,218 | 6,864 | 13,333 | 4,802 | 385 | 834 |

The fixed income mutual fund of $3,178 and $3,148, as of June 30, 2013 and 2012, respectively, was not subject to interest rate risk.

## (5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2013 and 2012:

**Due from State of New Jersey**

| | | 2013 | 2012 |
|---|---|---|---|
| FICA benefit reimbursement | $ | 492 | 976 |
| Alternative Benefit Programs (ABP) | | 732 | 706 |
| Total | $ | 1,224 | 1,682 |

Notes to the Financial Statements (dollar amounts in thousands)

## (6) Capital Assets

Capital asset activity for the years ended June 30, 2013 and 2012 was as follows:

| Capital Assets 2013 | | | | | |
|---|---|---|---|---|---|
| **2013** | | **Beginning balance** | **Additions** | **Transfers/ retirements** | **Ending balance** |
| Nondepreciable assets: | | | | | |
| Land | $ | 22,148 | — | — | 22,148 |
| Works of Art/ Historical Treasure | | 392 | — | — | 392 |
| Construction in progress | | 72,903 | 24,006 | (59,809) | 37,100 |
| Total nondepreciable assets | | 95,443 | 24,006 | (59,809) | 59,640 |
| Depreciable assets: | | | | | |
| Land improvements | | 230 | — | — | 230 |
| Buildings | | 502,391 | — | 39,015 | 541,406 |
| Building improvements | | 58,158 | 927 | 20,569 | 79,654 |
| Infrastructure | | 50,789 | 330 | 171 | 51,290 |
| Equipment and other assets | | 70,842 | 2,461 | 54 | 73,357 |
| Total depreciable assets | | 682,410 | 3,718 | 59,809 | 745,937 |
| Total capital assets | | 777,853 | 27,724 | — | 805,577 |
| Accumulated depreciation: | | | | | |
| Land improvements | | (156) | (9) | — | (165) |
| Buildings | | (117,490) | (10,100) | — | (127,590) |
| Building improvements | | (18,481) | (2,326) | — | (20,807) |
| Infrastructure | | (8,685) | (1,451) | — | (10,136) |
| Equipment and other assets | | (50,414) | (4,231) | — | (54,645) |
| Total accumulated depreciation | | (195,226) | (18,117) | — | (213,343) |
| Capital assets, net | $ | 582,627 | 9,607 | — | 592,234 |

Notes to the Financial Statements (dollar amounts in thousands)

**Capital Assets 2012**

| 2012 | | Beginning balance | Additions | Transfers/ retirements | Ending balance |
|---|---|---|---|---|---|
| Nondepreciable assets: | | | | | |
| Land | $ | 21,689 | 459 | — | 22,148 |
| Works of Art/ Historical Treasure | | — | 392 | — | 392 |
| Construction in progress | | 53,691 | 28,483 | (9,271) | 72,903 |
| Total nondepreciable assets | | 75,380 | 29,334 | (9,271) | 95,443 |
| Depreciable assets: | | | | | |
| Land improvements | | 230 | — | — | 230 |
| Buildings | | 501,569 | 822 | — | 502,391 |
| Building improvements | | 49,113 | 1,025 | 8,020 | 58,158 |
| Infrastructure | | 49,725 | 361 | 703 | 50,789 |
| Equipment and other assets | | 66,574 | 3,720 | 548 | 70,842 |
| Total depreciable assets | | 667,211 | 5,928 | 9,271 | 682,410 |
| Total capital assets | | 742,591 | 35,262 | — | 777,853 |
| Accumulated depreciation: | | | | | |
| Land improvements | | (147) | (9) | — | (156) |
| Buildings | | (107,417) | (10,073) | — | (117,490) |
| Building improvements | | (16,517) | (1,964) | — | (18,481) |
| Infrastructure | | (7,264) | (1,421) | — | (8,685) |
| Equipment and other assets | | (46,287) | (4,127) | — | (50,414) |
| Total accumulated depreciation | | (177,632) | (17,594) | — | (195,226) |
| Capital assets, net | $ | 564,959 | 17,668 | — | 582,627 |

As of June 30, 2013 and 2012, the College's bond obligations were collateralized by buildings and equipment with book values of $465,099 and $457,637, respectively. During fiscal years 2013 and 2012, interest income on bond construction funds for Series 2010 A and 2010 B bonds was $15 and $60, respectively. Interest expense on these same bond funds was $1,210 for 2013 and $3,023 for 2012. Net interest costs of $1,195 and $2,963, for fiscal years 2013 and 2012, respectively, were capitalized and included in construction in progress.

Notes to the Financial Statements (dollar amounts in thousands)

## (7) Restricted Deposits Held with Bond Trustees

Deposits held with bond trustees represent restricted funds held by U.S. Bank (the trustee), under the terms of various lease agreements and bond indentures. Deposits with bond trustees are carried in the financial statements at fair value and consist of short term investments and government securities. As of June 30, 2013 and 2012, deposits with bond trustees include the following:

**Deposits Held with Bond Trustees**

| | | 2013 | 2012 |
|---|---|---|---|
| Construction funds | $ | 8,609 | 16,196 |
| Debt service (principal and interest) | | 11,001 | 10,449 |
| Total | $ | 19,610 | 26,645 |

As of June 30, 2013 and 2012, the College's deposits held with bond trustees are invested in money market funds or U.S. Treasury notes or government securities guaranteed by the U.S. government. The U.S. Treasury notes, government securities, and money market funds are all rated Aaa. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table summarizes deposits held with bond trustees maturities as of June 30, 2013 and 2012:

**Deposits Held with Bond Trustees**

| | | | 2013 Investment maturities (in years) | | |
|---|---|---|---|---|---|
| Investment type | | Fair value | Less than 1 | 1 to 2 | More than 2 |
| Money market funds | $ | 11,885 | 11,885 | — | — |
| U.S. Treasury notes and government securities | | 7,725 | 7,725 | — | — |
| Total | $ | 19,610 | 19,610 | — | — |

**Deposits Held with Bond Trustees**

| | | | 2012 Investment maturities (in years) | | |
|---|---|---|---|---|---|
| Investment type | | Fair value | Less than 1 | 1 to 2 | More than 2 |
| Money market funds | $ | 10,450 | 10,450 | — | — |
| U.S. Treasury notes and government securities | | 16,195 | 16,195 | — | — |
| Total | $ | 26,645 | 26,645 | — | — |

Notes to the Financial Statements (dollar amounts in thousands)

**(8) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following as of June 30, 2013 and 2012:

| Accounts Payable and Accrued Expenses | | | |
|---|---|---|---|
| | | **2013** | **2012** |
| Bond principal and interest | $ | 11,001 | 10,427 |
| Vendors | | 4,006 | 4,032 |
| Accrued salaries and benefits | | 3,694 | 2,532 |
| Accrued expense – construction | | 4,123 | 2,511 |
| Total | $ | 22,824 | 19,502 |

**(9) Noncurrent Liabilities**

The College is obligated under lease agreements associated with various revenue bonds issued by the New Jersey Educational Facilities Authority (the Authority) to finance the construction and acquisition of dormitories, parking garages, equipment, academic facilities, a co-generation plant, and student recreational facilities.

Notes to the Financial Statements (dollar amounts in thousands)

The following is a breakout of bonds payable and other long-term obligations, as of June 30, 2013 and 2012:

**Bonds Payable and Other Long-Term Obligations**

| | | 2013 | 2012 |
|---|---|---|---|
| Bonds payable: | | | |
| New Jersey Educational Facilities Authority: | | | |
| 2008 Series D (interest 4.00% to 5.00%, due serially starting on July 1, 2010 to July 1, 2028) | $ | 156,335 | 157,335 |
| 2008 Series D (interest 5.00%, maturing on July 1, 2035) | | 127,455 | 127,455 |
| 2010 Series A (interest 3.00% to 4.00%, due serially starting on July 1, 2012 to July 1, 2015) | | 1,755 | 2,595 |
| 2010 Series B (interest 4.878% to 7.395%, maturing on July 1, 2016 through July 1, 2040) | | 41,090 | 41,090 |
| 2012 Series A (interest 2.00% to 5.00%, maturing on July 1, 2019) | | 26,255 | 26,255 |
| Subtotal bonds payable | | 352,890 | 354,730 |
| Add: | | | |
| Bond premium | | 11,050 | 12,391 |
| Total bonds payable | $ | 363,940 | 367,121 |
| Other long-term obligations: | | | |
| Dormitory Safety Trust Fund (interest 5%, maturing on January 15, 2018) | $ | 414 | 532 |
| Higher Education Capital Improvement Fund (interest 4.52% to 5.25% maturing on August 15, 2022) | | 6,493 | 6,824 |
| Total other long-term obligations | $ | 6,907 | 7,356 |

Aggregate principal and interest repayments required during the next five fiscal years and in five year increments thereafter are as follows as of June 30, 2013:

**Principal and Interest Repayments**

| | | Bond principal | Other long-term obligations principal | Bond interest | Other long-term obligations interest |
|---|---|---|---|---|---|
| Year ending June 30: | | | | | |
| 2014 | $ | 8,915 | 466 | 18,258 | 320 |
| 2015 | | 9,675 | 483 | 17,950 | 302 |
| 2016 | | 10,285 | 502 | 17,530 | 283 |
| 2017 | | 11,050 | 434 | 17,017 | 263 |
| 2018 | | 11,690 | 457 | 16,461 | 241 |
| 2019-2023 | | 68,535 | 4,565 | 72,828 | 724 |
| 2024-2028 | | 79,855 | — | 53,656 | — |
| 2029-2033 | | 95,395 | — | 31,774 | — |
| 2034-2038 | | 52,205 | — | 7,623 | — |
| 2039-2040 | | 5,285 | — | 591 | — |
| | $ | 352,890 | 6,907 | 253,688 | 2,133 |

Notes to the Financial Statements (dollar amounts in thousands)

Noncurrent liabilities activity for the years ended June 30, 2013 and 2012 is as follows:

| Noncurrent Liabilities Activity | | | | | | |
|---|---|---|---|---|---|---|
| **2013** | | **Beginning balance** | **Additions** | **Deductions** | **Ending balance** | **Current portion** |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | $ | 3,324 | 618 | (260) | 3,682 | 3,298 |
| U.S. and Government grants refundable | | 4,414 | — | — | 4,414 | — |
| Bonds payable, net | | 367,121 | — | (3,181) | 363,940 | 10,246 |
| Other long-term obligations | | 7,356 | — | (449) | 6,907 | 466 |
| Total noncurrent liabilities | $ | 382,215 | 618 | (3,890) | 378,943 | 14,010 |
| **2012** | | **Beginning balance** | **Additions** | **Deductions** | **Ending balance** | **Current portion** |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | $ | 3,289 | 368 | (333) | 3,324 | 3,090 |
| Natural gas forward contracts | | 2,645 | — | (2,645) | — | — |
| U.S. and Government grants refundable | | 4,414 | — | — | 4,414 | — |
| Bonds payable, net | | 373,090 | 30,133 | (36,102) | 367,121 | 3,181 |
| Other long-term obligations | | 7,899 | — | (543) | 7,356 | 449 |
| Total noncurrent liabilities | $ | 391,337 | 30,501 | (39,623) | 382,215 | 6,720 |

In April 2012, the New Jersey Educational Facilities Authority (NJEFA) issued Series 2012 A Revenue Refunding Bonds totaling $26,255 with coupon rates ranging from 2.0% to 5.0% maturing through 2019. The proceeds from this bond issue, together with other available funds, were used to refund all of the NJEFA's Outstanding Revenue Bonds, The College of New Jersey Issue, Series 2002 C as well as cover the costs of issuance. The difference in the cash flows between the old debt and the new debt was approximately $6,185. The economic gain resulting from the refunding was approximately $3,650. The bonds were issued with a $3,880 premium which was net with the bond liability, as well as $294 in deferred amounts from debt refunding which were recorded as a deferred outflow of resources.

## (10) Benefits Paid by the State of New Jersey

The State, through separate appropriations pays certain fringe benefits, principally healthcare and pension costs and FICA taxes, on behalf of College employees and retirees. The costs of these benefits, $23,994 and $25,091 in 2013 and 2012, respectively, were paid directly by the State on behalf of the College and are included in the accompanying financial statements as part of nonoperating revenues and as operating expenses in various functional expense categories.

## (11) Retirement Plans

### *(a) Plan Descriptions*

The College participates in several retirement plans covering its employees – the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF), the Police and Firemen's Retirement System (PFRS), and the Alternative Benefit Program (ABP). Generally all employees, except certain part-time employees, participate in one of these plans. Under these plans, participants make annual contributions, and the State, in accordance with State statutes, makes employer contributions on behalf of the College for these plans. The College is charged for pension costs through a fringe benefit charge assessed by the State which is included within the state paid fringe benefits in the accompanying financial statements. The College has no direct pension obligation associated with the State plans and no liability for such costs has been recorded in the accompanying financial statements.

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including postretirement 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. PERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the State.

All police officers and firefighters appointed after June, 1944, in municipalities where local police and fire pension funds existed, or where this system was adopted by referendum or resolution, are required to become members of the PFRS. PFRS is a cost-sharing, multiple-employer defined benefit pension plan administered by the State.

ABP presently makes contributions to Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), VALIC, AXA Financial (Equitable), Met Life, The Hartford and ING Life Insurance and Annuity Company. A separate board of trustees administers ABP alternatives.

Effective July 1, 2010, the College established two supplemental retirement plans – Supplemental Alternate Benefit Plan and Supplemental Retirement Plan for the benefit of its eligible employees and the eligible employees of certain subsidiaries and affiliates that adopt the plans. The objective of the plans is to help provide for additional security on retirement, by means of employer contributions supplemental to those under the Alternate Benefit Program for the Supplemental Alternate Benefit Plan and supplemental to those under the Alternate Benefit Program and the Supplemental Alternate Benefit Plan for the Supplemental Retirement Plan.

Certain faculty members of the College participate in the TPAF, which is a State 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 to substantially all full-time public school teachers of the State.

Notes to the Financial Statements (dollar amounts in thousands)

The State issues publicly available financial reports that include financial statements and required supplementary information for PERS, PFRS and TPAF. These reports 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, NJ 08625-0295.

***(b) Funding Policies***

PERS, TPAF, and PFRS 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 College's behalf by the State of New Jersey annually at an actuarially determined rate. The contribution requirements of plan members and the College are established and may be amended by the board of trustees of the respective plan.

***(c) Alternate Benefit Program (ABP) Information***

ABP provides the choice of six investment carriers. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program. The State and Social Security Law establishes participation eligibility as well as contributory and noncontributory requirements.

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 College employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pretax basis. Employer contributions for the ABP are 8%. During the years ended June 30, 2013 and 2012, ABP investment carriers received employer and employee contributions as follows:

**ABP Employer and Employee Contributions**

| | | 2013 | 2012 |
|---|---|---|---|
| Employer contributions | $ | 4,334 | 4,200 |
| Employee contributions | | 6,249 | 5,848 |
| Participating employees' salaries | | 54,175 | 52,500 |

Employer contributions to the ABP are paid by the State and are reflected in the accompanying financial statements as nonoperating revenue under New Jersey State appropriations and as operating expenses in various functional expense categories.

***(d) Supplemental Alternate Benefit Program***

The Plan is administered by the College. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the College with non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations section 2510.3-2(f). Each employee whose compensation exceeds the State limit on contributions for the ABP in a given year shall be eligible to participate in the plan and have employer contributions made on their behalf. The College will contribute 8% of the employee's compensation in excess of the State limit on compensation. The accumulated base salary limit during each calendar year is $141,000. There were no employee contributions during fiscal years 2013 or 2012. The employer contributions made during fiscal years 2013 and 2012 were $44 and $40, respectively.

***(e) Postemployment Benefits Other Than Pension***

The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers the employees of the College. The employees of the College are employees of the State of New Jersey, therefore the other postemployment benefit plans liability is reported by the State of New Jersey.

**(12) Compensated Absences**

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the sick leave accumulation at the pay rate in effect at the time of retirement up to a maximum of $15 per employee. Employees separating from College service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the College recorded a liability for accumulated sick leave balances in the amount of $384 and $234 as of June 30, 2013 and 2012, respectively, which is reflected in compensated absences in the accompanying financial statements.

The College is required to pay non-faculty employees for their accumulated vacation time upon their separation or retirement. These liabilities were $2,873 and $2,648 as of June 30, 2013 and 2012, respectively, and are reflected in compensated absences in the accompanying financial statements.

The College is required to pay employees for their accumulated bank leave time upon their separation or retirement. As of June 30, 2013 and June 30, 2012 liabilities of $425 and $442, respectively, were included in compensated absences in the accompanying financial statements.

Notes to the Financial Statements (dollar amounts in thousands)

**(13) Unrestricted Net Position**

As discussed in note 2, net position is required to be classified for accounting and reporting purposes into one of four net position categories according to externally imposed restrictions. Unrestricted net position, as defined by GASB Statement No. 35, is not subject to externally imposed stipulations, however, they are subject to internal designations. The College has a Board of Trustees approved reserves policy, the purpose of which is to ensure the financial sustainability of the mission, programs and ongoing operations of the College. The policy outlines the accounting for, funding of and authorized use of the funds available in unrestricted net position. All unrestricted net position of the College as of June 30, 2013 and 2012 have been designated by management for working capital reserves for auxiliary operations, educational and general activities, funding for debt service and capital reserves for planned construction efforts.

**Unrestricted Net Position**

| | | 2013 | 2012 |
|---|---|---|---|
| Educational and general reserves | $ | 49,658 | 48,906 |
| Auxiliary reserves | | 49,829 | 49,074 |
| Strategic operating reserves | | 9,944 | 9,794 |
| Debt service | | 9,161 | 8,612 |
| Total | $ | 118,592 | 116,386 |

**(14) Contingencies**

The College is a party to various pending legal actions and other claims in the normal course of business. Management of the College is of the opinion that the outcome thereof will not have a material effect on its financial position based on legal representation letters obtained from outside counsel.

**(15) Government Relations and Legal Fees**

The New Jersey Higher Education Restructuring Act of 1994 requires the College to disclose the costs incurred associated with government and public relations and legal costs. During the years ended June 30, 2013 and 2012, the College expended $238 and $332, respectively, for government and public relations, and $187 and $251, respectively, for legal fees.

Notes to the Financial Statements (dollar amounts in thousands)

## (16) The College of New Jersey Foundation, Inc.

***Component Unit***

The College of New Jersey Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the organization with a fiscal year end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the Foundation's assets are used exclusively for the benefit, support, and promotion of the College and its educational activities. The Foundation meets the criteria to be discretely presented in the College's financial statements. Complete financial statements for the Foundation can be obtained from the College at 2000 Pennington Road, Ewing, NJ 08628.

***Investments***

The Foundation has an investment policy, which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, bonds and bond funds and alternative investments. Investments consist of the following as of June 30, 2013 and 2012:

**Foundation Investments**

| | | 2013 | 2012 |
|---|---|---|---|
| Cash and cash equivalents | $ | 1,323 | 2,094 |
| U.S. Treasury bills and notes and Government agencies | | 2,566 | 2,497 |
| Corporate bonds | | 469 | 464 |
| Mutual funds | | 4,578 | 4,748 |
| Equities | | 14,597 | 12,443 |
| Alternative investments | | 2,822 | 1,569 |
| Total | $ | 26,355 | 23,815 |

The Foundation's investments are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks is discussed in more detail below.

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).

Notes to the Financial Statements (dollar amounts in thousands)

As of June 30, 2013, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

**Foundation Fixed Income Investments Ratings 2013**

| Rating | | Total | U.S. Treasury bills and notes | U.S. Government agencies | Corporate bonds |
|---|---|---|---|---|---|
| Aaa | $ | 2,595 | 1,511 | 1,055 | 29 |
| Aa2 | | 65 | — | — | 65 |
| Aa3 | | 21 | — | — | 21 |
| A1 | | 41 | — | — | 41 |
| A2 | | 95 | — | — | 95 |
| A3 | | 78 | — | — | 78 |
| Baa1 | | 45 | — | — | 45 |
| Baa2 | | 73 | — | — | 73 |
| Baa3 | | 22 | — | — | 22 |
| Total | $ | 3,035 | 1,511 | 1,055 | 469 |

As of June 30, 2012, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

**Foundation Fixed Income Investments Ratings 2012**

| Rating | | Total | U.S. Treasury bills and notes | U.S. Government agencies | Corporate bonds |
|---|---|---|---|---|---|
| Aaa | $ | 2,504 | 1,211 | 1,286 | 7 |
| Aa1 | | 12 | — | — | 12 |
| Aa2 | | 26 | — | — | 26 |
| Aa3 | | 26 | — | — | 26 |
| A1 | | 85 | — | — | 85 |
| A2 | | 82 | — | — | 82 |
| A3 | | 87 | — | — | 87 |
| Baa1 | | 34 | — | — | 34 |
| Baa2 | | 90 | — | — | 90 |
| Baa3 | | 15 | — | — | 15 |
| Total | $ | 2,961 | 1,211 | 1,286 | 464 |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy provides limitations in the maturities of various types of investments. As of June 30, 2013, the Foundation's fixed income investments, which consist of

Notes to the Financial Statements (dollar amounts in thousands)

U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

| Foundation Fixed Income Investments Maturity 2013 | | | | | |
|---|---|---|---|---|---|
| Maturing in years | | Total | U.S. Treasury bills and notes | U.S. Government agencies | Corporate bonds |
| Less than 1 | $ | 33 | — | — | 33 |
| 1 – 5 | | 810 | 461 | 77 | 272 |
| 6 – 10 | | 967 | 830 | 11 | 126 |
| Greater than 10 | | 1,225 | 220 | 967 | 38 |
| Total | $ | 3,035 | 1,511 | 1,055 | 469 |

As of June 30, 2012, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

| Foundation Fixed Income Investments Maturity 2012 | | | | | |
|---|---|---|---|---|---|
| Maturing in years | | Total | U.S. Treasury bills and notes | U.S. Government agencies | Corporate bonds |
| Less than 1 | $ | 182 | 98 | — | 84 |
| 1 – 5 | | 580 | 288 | 94 | 198 |
| 6 – 10 | | 899 | 732 | 10 | 157 |
| Greater than 10 | | 1,300 | 93 | 1,182 | 25 |
| Total | $ | 2,961 | 1,211 | 1,286 | 464 |

## (17) Risk Management

The College is exposed to various risks of loss. The Organization purchased and funds property and casualty insurances through a joint insurance program with the nine State of New Jersey Public Colleges and Universities. The Organization'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 per occurrence with a per occurrence limit of $1,500,000. Money and securities coverage provides for the actual loss in excess of $25 with a per loss limit of $5,000. In addition to the insurance purchased and maintained through the consortium, the College maintains two additional policies. The first is a student professional liability policy with a limit of $2,000 per claim and a $5,000 aggregate. The second is a museum collection and temporary loans policy with a $500 limit.

As an instrumentality of the State of New Jersey the liability of the College is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.), and the availability of appropriations. The Tort Claims Act also creates a fund and provides for payment of claims under the Act against the State of New Jersey or against its employees for which the State of New Jersey is obligated to indemnify against tort claims, which arise out of the performance of their duties.

All insurance policies are renewed on an annual basis. All of the State of New Jersey self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.

## Schedule of Expenditures of Federal Awards
## June 30, 2013

| Federal grantor/pass-through grantor/ program or cluster title | Federal CFDA/grant number | | Current year expenditures |
|---|---|---|---|
| Student Financial Assistance Cluster: | | | |
| U.S. Department of Health and Human Services: | | | |
| Nursing Student Loans | 93.364 | $ | 63,000 |
| U.S. Department of Education: | | | |
| Federal Supplemental Educational Opportunity Grants (including administrative cost allowance of $10,091) | 84.007 | | 211,905 |
| Federal Direct Loan Program | 84.268 | | 30,670,364 |
| Federal Work-Study Program (including administrative cost allowance of $8,435) | 84.033 | | 155,114 |
| Federal Perkins Loan Program (including administrative cost allowance of $24,826) | 84.038 | | 521,344 |
| Federal Pell Grant Program | 84.063 | | 5,044,540 |
| Teacher Education Assistance for College and Higher Education Grants | 84.379 | | 67,020 |
| Total Student Financial Assistance Cluster | | | 36,733,287 |
| Research and Development Cluster: | | | |
| Department of Defense: | | | |
| Passed through Duke University: | | | |
| Barnacle glue curing. Biological functions and their inhibitors: Theory and Practice | 12.300 | | 3,979 |
| National Science Foundation: | | | |
| MRI: Acquisition of Integrated Electric Power System Test Bed | 47.041 | | 99,607 |
| RUI - Orientational Relaxation for Chromophore Order | 47.049 | | 39,596 |
| Collaborative Research: Deep Structure Controls on Magmatic Output of Klyuchevoskoy Volcanic Group, Kamchatka | 47.050 | | 1,600 |
| Collaborative Research: Mantle Dynamics, Litospheric Structure, and Topographic Evolution of the Southern US Continental Margin | 47.050 | | 11,000 |
| RUI: Interactive Effects of Invasive Plants and Deer on the Herb Layer of Suburban Forest | 47.074 | | 24,711 |
| Passed through Yale University: | | | |
| ARTS: A cyber-enabled global monograph of Viburnum | 47.074 | | 8,069 |
| Collaborative Research: Bringing Seismology's Grand Challenges to the Undergraduate Classroom | 47.076 | | 26,656 |
| TUES: Collaborating Across Boundaries to Engage Undergraduates in Computational Thinking | 47.076 | | 415 |
| Collaborative Research: Smart Power Distribution System Curriculum - Multi-Institution Demonstration and Deployment | 47.076 | | 12,417 |
| ARRA - Faculty/Student Collaboration in Environmental & Model Organism Biology, Recovery Act | 47.082 | | 287,522 |
| Total Research and Development Cluster | | | 515,572 |
| National Science Foundation: | | | |
| Acquisition of a 400 MHz NMR Spectrometer for Undergraduate Research and Training | 47.049 | | 233,999 |
| Giving the Maestro a Human Heart | 47.070 | | 49,485 |
| Biological Sciences: | | | |
| RUI Collaborative: Biomechanics and Control of Landing in Toads | 47.074 | | 67,616 |
| Total Biological Sciences | | | 67,616 |
| Education and Human Resources: | | | |
| TUES: Type 1: COMTOR: Enabling Students and Educators to Automatically Assess Software Doc | 47.076 | | 61,231 |
| Program to Enhance Retention of Student in Science Trajectories in Biology and Chemistry | 47.076 | | 105,854 |
| PAID: ADVANCE Female Faculty Through Career Development | 47.076 | | 174,003 |
| Total Education and Human Resources | | | 341,088 |
| U.S. Department of Justice: | | | |
| Passed through New Jersey Department of Law and Public Safety: | | | |
| Statewide DMC Assessment & Report | 16.540 | | 14,076 |
| Passed through New Jersey Division of Alcoholic Beverage Control: | | | |
| Lollanobooza | 16.727 | | 4,912 |
| Passed through New Jersey Department of Corrections: | | | |
| ARRA: RJAG 3-3-09 NJ STEP Mentoring Project | 16.803 | | 44,451 |
| Second Chance Act Reentry Demonstration Project | 16.812 | | 27,329 |

## Schedule of Expenditures of Federal Awards
## June 30, 2013

| Federal grantor/pass-through grantor/ program or cluster title | Federal CFDA/grant number | Current year expenditures |
|---|---|---|
| U.S. Department of Education: | | |
| Undergraduate International Studies and Foreign Language Program | 84.016A | $ 54,597 |
| Special Education, Technical Assistance and Dissemination to Improve Services and Results For Children With Disabilities | 84.326 | 285,730 |
| Creating a Team of Highly Qualified Professionals for English Language Learners | 84.365 | 492,438 |
| Passed through New Jersey Department of Education: | | |
| Career and Technical Education - Basic Grants to States | | |
| CTE Enhancing Teaching and Student Leadership in the Career Cluster of Science, Technology, Engineering and Mathematics | 84.048 | 141,680 |
| Passed through Disability Rights New Jersey: | | |
| Expansion of Assisted Technology Services in New Jersey through Assisted Technology Center of Disability Rights of New Jersey | 84.224A | 1,023 |
| Special Education Cluster: | | |
| Expand International Business Education at TCNJ to China | 84.153 | 24,464 |
| Enhancing and Extending the Current Career and Community Studies Program | 84.407 | 257,243 |
| Total Special Education Cluster | | 281,707 |
| U.S. Department of Energy: | | |
| Passed through The State of New Jersey Board of Public Utilities : | | |
| New Jersey Public Building Energy Efficiency Program | 81.119 | 34,029 |
| U.S. Department of Homeland Security, Federal Emergency Management Agency: | | |
| Passed through New Jersey Department Environmental Protection: | | |
| National Dam Safety Program | 97.041 | 25,444 |
| U.S. Department of Housing and Urban Development: | | |
| Passed through Rutgers, the State University of New Jersey: | | |
| New Jersey Sustainable Communities Consortium | 14.703 | 81,196 |
| U.S. Department of Transportation: | | |
| Passed through New Jersey Division of Highway Traffic Safety: | | |
| Highway Safety Cluster: | | |
| New Jersey Pedestrian Safety Enforcement Program | 20.600 | 40,759 |
| Peer Institute and Harm Reduction | 20.601 | 84,400 |
| Total Highway Safety Cluster | | 125,159 |
| National Aeronautic and Space Administration: | | |
| Passed through Long Island University: | | |
| NRA/Research Opportunities in Space and Earth Sciences - 2012 | 43.001 | 27,645 |
| Passed through Space Science Institute: | | |
| Understanding Blazar Variability through Kepler | 43.001 | 8,496 |
| Total National Aeronautic and Space Administration: | | 36,141 |
| National Endowment for Humanities: | | |
| Passed through New Jersey Council for the Humanities: | | |
| Envisioning Europe: Tyranny & Freedom in History, Literature, and Film | 45.168 | 8,019 |
| U.S. Environmental Protection Agency: | | |
| Passed through Cherry Hill Township: | | |
| EPA Climate Showcase Communities | 66.041 | 82,392 |
| U.S. Small Business Administration: | | |
| Passed through New Jersey Commerce, Economic Growth, and Tourism Commission: | | |
| Passed through Rutgers, The State University of New Jersey: | | |
| Small Business Development Center | 59.037 | 208,390 |
| New Jersey Economic Opportunity Authority | 59.037 | 16,500 |
| Total U.S. Small Business Administration | | 224,890 |
| Phase 1 Hurricane Sandy Small Business Revitalization Opportunity | 59.064 | 1,100 |
| Corporation for National and Community Service: | | |
| Volunteers in Service to America (VISTA) | 94.013 | 38,178 |
| AmeriCorps: | | |
| AmeriCorps National Education Awards Program | 94.006 | 170,424 |
| Passed through New Jersey Department of State: | | |
| AmeriCorps Economic Opportunity Program | 94.006 | 8,743 |
| AmeriCorps Bonner Leaders Program | 94.006 | 237,571 |
| Total AmeriCorps | | 416,738 |
| Total expenditures of Federal awards | | $ 40,362,276 |

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

## Schedule of Expenditures of State of New Jersey Awards
## June 30, 2013

| State of New Jersey grantor/pass-through grantor/ program or cluster title | Grant/account number | | Grant amount | Grant period | | Current year expenditures |
|---|---|---|---|---|---|---|
| Student Financial Assistance Cluster: | | | | | | |
| New Jersey Commission on Higher Education: | | | | | | |
| Educational Opportunity Fund Grant - Article III | 100-074-2401-001-KKKK-6140 | $ | 503,575 | 07/01/12 - 06/30/13 | $ | 503,575 |
| Educational Opportunity Fund Grant - Article III - Summer School | 100-074-2401-001-KKKK-6140 | | 234,325 | 07/01/12 - 06/30/13 | | 234,325 |
| Higher Education Student Assistance Authority: | | | | | | |
| Edward J. Bloustein Distinguished Scholars Award | 100-074-DS10-278-KKKK-6150 | | 198,671 | 07/01/12 - 06/30/13 | | 198,671 |
| New Jersey College Loans to Assist State Students (CLASS) | — | | 6,837,169 | 07/01/12 - 06/30/13 | | 6,837,169 |
| Tuition Aid Grant | 100-074-2405-007-KKKK-6150 | | 5,956,007 | 07/01/12 - 06/30/13 | | 5,956,007 |
| Urban Scholars Award | 100-074-US11-278-KKKK-6150 | | 24,180 | 07/01/12 - 06/30/13 | | 24,180 |
| New Jersey Governor Urban Scholars Award | 100-074-2405-329-KKKK-6150 | | 15,500 | 07/01/12 - 06/30/13 | | 15,500 |
| NJ Student Tuition Assistance Reward Scholarship II | — | | 185,765 | 07/01/12 - 06/30/13 | | 185,765 |
| Total Student Financial Assistance Cluster | | | | | | 13,955,192 |
| New Jersey Department of Education: | | | | | | |
| Career and Technical Education Partnership | 11-100-034-5062-032-H200 | | 140,000 | 09/01/11 - 08/31/12 | | 34,944 |
| Career and Technical Education Partnership | 11-100-034-5062-032-H200 | | 146,500 | 09/01/12 - 08/31/13 | | 106,063 |
| Passed through Trenton Board of Education: | | | | | | |
| Bonner Community Scholars @ TCNJ | 15-190-100-320-0000-00-05 | | 24,350 | 09/01/12 - 08/31/13 | | 21,015 |
| New Jersey Commission on Higher Education: | | | | | | |
| Educational Opportunity Fund Program - Article IV | 100-074-2401-002-KKKK-6140 | | 345,953 | 06/01/11 - 07/31/12 | | 14,240 |
| Educational Opportunity Fund Program - Article IV | 100-074-2401-002-KKKK-6140 | | 345,953 | 06/01/12 - 07/31/13 | | 264,370 |
| New Jersey Department of Transportation: | | | | | | |
| Mobility & Community Form: Linking Transportation & Land Use | TCNJ2004 - Task Order 6 | | 2,423,804 | 11/15/07 - 04/19/13 | | 537,157 |
| New Jersey Board of Public Utilities: | | | | | | |
| Office of Clean Energy Program: Sustainable New Jersey | 71D-082-2014-001-6130 | | 870,000 | 07/01/10 - 06/30/13 | | 135,768 |
| Office of Clean Energy Program: Sustainable New Jersey | — | | 750,000 | 01/01/12 - 06/30/13 | | 449,865 |

## Schedule of Expenditures of State of New Jersey Awards
## June 30, 2013

| State of New Jersey grantor/pass-through grantor/ program or cluster title | Grant/account number | Grant amount | Grant period | Current year expenditures |
|---|---|---|---|---|
| New Jersey Department of Human Services, Commission | | | | |
| for the Blind and Visually Impaired: | | | | |
| Work Skills Prep Program (WSP) @ TCNJ | MOU | $ 188,993 | 07/01/12 - 09/30/12 | $ 135,190 |
| Work Skills Prep Program (WSP) @ TCNJ | MOU | 310,392 | 09/01/12 - 09/30/13 | 136,461 |
| Support Service Providers - New Jersey (SSP-NJ) | MOU | 223,134 | 07/01/12 - 06/30/13 | 187,378 |
| New Jersey Deaf-Blind Equipment Distribution Project | MOU | 95,054 | 08/07/12 - 06/30/13 | 57,163 |
| Central New Jersey Regional Assistant Tech | 33LAC2 | 804,223 | 07/01/11 - 09/30/13 | 327,458 |
| Assistant Tech at John Kohn Center | 33LAC2 | 703,114 | 02/15/12 - 12/31/13 | 313,266 |
| New Jersey Department of Law and Public Safety / Office of the Attorney General: | | | | |
| Statewide Sexual Assault Nurse Examiner Basic Training Course | SANE-01/FY13-100 066 1020 348 | 15,000 | 09/01/12 - 08/31/13 | 100 |
| Pass through Rutgers The State University | | | | |
| Municipal Planning for Safe Streets and Neighborhoods | 434047 | 90,000 | 09/01/11 - 06/30/14 | 49,960 |
| New Jersey Department of State: | | | | |
| State Appropriation to State Colleges and Universities | XX-100-074-24XX-XXX | 29,317,000 | 07/01/12 - 06/30/13 | 29,317,000 |
| New Jersey State Council of the Arts: | | | | |
| Mercer County Cultural and Heritage Commission: | | | | |
| Local Arts program grant | CY2012 | 4,150 | 01/01/12 - 12/31/12 | 4,150 |
| Interdepartmental Accounts: | | | | |
| State Fringe Benefits Other Than FICA | XX-100-094-9410-XXX | 18,189,977 | 07/01/12 - 06/30/13 | 18,189,977 |
| FICA - State Colleges and Universities Reimbursement Program | XX-100-094-9410-137 | 5,804,029 | 07/01/12 - 06/30/13 | 5,804,029 |
| Total expenditures of State of New Jersey awards | | | | $ 70,040,746 |

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

**(1) Basis of Presentation**

The accompanying schedules of expenditures of Federal and State of New Jersey awards include the Federal and State of New Jersey grant activity of The College of New Jersey (the College) and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the 2013 basic financial statements.

**(2) Federal Perkins Loan and Nursing Student Loan Programs**

The College administers and accounts for certain aspects of the Federal Perkins Loan and Nursing Student Loan Programs. The balance of loans outstanding under these programs as of June 30, 2013 was $4,016,481 and $125,746, respectively.

| Year Ended June 30, 2013 | | | |
|---|---|---|---|
| | | Federal Perkins Loan Program | Nursing Student Loan Program |
| Beginning balance | $ | 4,093,733 | 79,413 |
| New loans issued | | 496,518 | 63,000 |
| Payments | | (538,152) | (16,667) |
| Adjustments | | (1,181) | — |
| Cancellations | | (34,437) | — |
| Ending balance | $ | 4,016,481 | 125,746 |

**(3) Other Loan Programs**

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan program and the New Jersey College Loans to Assist State Students (CLASS) program and, accordingly, these loans are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under these programs as of June 30, 2013.

**(4) Subrecipients**

Of the Federal expenditures presented in the schedule of expenditures of Federal awards, the College provided the following amounts to subrecipients during the year ended June 30, 2013:

| Year Ended June 30, 2013 | | | |
|---|---|---|---|
| | **Federal CFDA number** | | **Amount provided to subrecipients** |
| Americorps Program | 94.006 | $ | 164,639 |
| Biological Sciences Program | 47.074 | | 46,993 |
| Career and Technical Education - Basic Grants to States | 84.048 | | 6,000 |
| Special Education Cluster | 84.407 | | 1,664 |

**KPMG LLP**
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

# Independent Auditors' Report

## on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
The College of New Jersey:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business type activities and the discretely presented component unit of the College of New Jersey (the College), a component unit of the State of New Jersey, as of June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 14, 2013. The financial statements of The College of New Jersey Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 14, 2013

KPMG LLP
New Jersey Headquarters
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# Independent Auditors' Report

on Compliance for Each Major Federal and State of New Jersey Program; Report on Internal Control Over Compliance; and Report on Schedules of Expenditures of Federal and State of New Jersey Awards Required by Federal OMB A-133 and New Jersey OMB Circular 04-04

The Board of Trustees
The College of New Jersey:

**Report on Compliance for Each Major Federal and State of New Jersey Program**

We have audited The College of New Jersey's (the College) compliance with the types of compliance requirements described in the Federal *OMB Circular A-133 Compliance Supplement* and the New Jersey Office of Management and Budget (New Jersey OMB) *State Grant Compliance Supplement* (the Compliance Supplements) that could have a direct and material effect on each of the College's major Federal and State of New Jersey programs for the year ended June 30, 2013. The College's major Federal and State of New Jersey programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal and State of New Jersey programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major Federal and State of New Jersey programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, Federal OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal or State of New Jersey program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal and State of New Jersey program. However, our audit does not provide a legal determination of the College's compliance.

***Opinion on Each Major Federal and State of New Jersey Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State of New Jersey programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal or State of New Jersey program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State of New Jersey program and to test and report on internal control over compliance in accordance with Federal OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal or State of New Jersey program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal or State of New Jersey program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal or State of New Jersey program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Federal OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

**Report on Schedules of Expenditures of Federal and State of New Jersey Awards Required by Federal OMB Circular A-133 and New Jersey OMB Circular 04-04**

We have audited the financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 14, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of Federal and State of New Jersey awards are presented for purposes of additional analysis as required by Federal OMB Circular A-133 and New Jersey OMB Circular 04-04 and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditure of Federal and State of New Jersey awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

December 17, 2013

**(1) Summary of Auditor's Results**

(a) Unmodified opinions were issued on the financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the year ended June 30, 2013, which collectively comprise the College's basic financial statements.

(b) No material weaknesses and no significant deficiencies in internal controls were disclosed by the audit of the financial statements of the College as of and for the year ended June 30, 2013.

(c) The audit disclosed no instances of noncompliance considered to be material to the financial statements of the College as of and for the year ended June 30, 2013.

(d) The audit disclosed no material weaknesses and no significant deficiencies were reported in connection with the major Federal and State of New Jersey programs of the College for the year ended June 30, 2013.

(e) An unmodified opinion was issued on the College's compliance with its major Federal and State of New Jersey programs for the year ended June 30, 2013.

(f) There were no audit findings which are required to be reported under Section 510(a) of Federal OMB Circular A-133 or New Jersey OMB Circular 04-04 for the year ended June 30, 2013.

(g) The major Federal and State of New Jersey programs of the College for the year ended June 30, 2013 were as follows:

**Federal**

- Student Financial Assistance Cluster (CFDA #93.364, 84.007, 84.033, 84.038, 84.063, 84.268, and 84.379)
- Research and Development Cluster (CFDA #12.300, 47.041, 47.049, 47.050, 47.074, 47.076, and 47.082)
- Education and Human Resources Program (CFDA #47.076)
- Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (CFDA #84.326)
- Creating a Team of Highly Qualified Professionals for English Language Learners (CFDA #84.365)

**State of New Jersey**

- Student Financial Assistance Cluster
- State Appropriations

(h) The dollar threshold used to distinguish between type A and type B programs was $300,000 for Federal awards and $1,221,712 for State of New Jersey awards for the year ended June 30, 2013.

(i) The College qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2013.

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

No findings required to be reported.

**(3) Findings and Questioned Costs Relating to Federal and State of New Jersey Awards**

No findings required to be reported.