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, 2011

(With Independent Auditors' Reports Thereon)

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KPMG LLP
Suite 402
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Independent Auditors' Report

on Basic Financial Statements and Schedules of Federal and State of New Jersey Awards

The Board of Trustees
The College of New Jersey:

We have audited the accompanying basic 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, 2011 and 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. The financial statements of The College of New Jersey Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The College of New Jersey as of June 30, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 19 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The College has presented certain information in management's discussion and analysis that is not required by U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's 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 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*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 basic financial statements taken as a whole.

KPMG LLP

October 21, 2011

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, 2011 and 2010 with fiscal year 2009 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.

The financial statements of the College of New Jersey Foundation, a component unit of TCNJ are presented discretely from the College; however, 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 75 "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 less 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; Culture and Society; Science; Nursing, Health, and Exercise Science; and Engineering. The College is enriched by an honors program and extensive opportunities to study abroad, and 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 2010, TCNJ enrolled 6,360 full-time equivalent undergraduate students and 367 in full-time graduate students. The College has residential facilities that housed 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 operations. 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). All citizen members are voting members, as is one of the two students.

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, compensating 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.

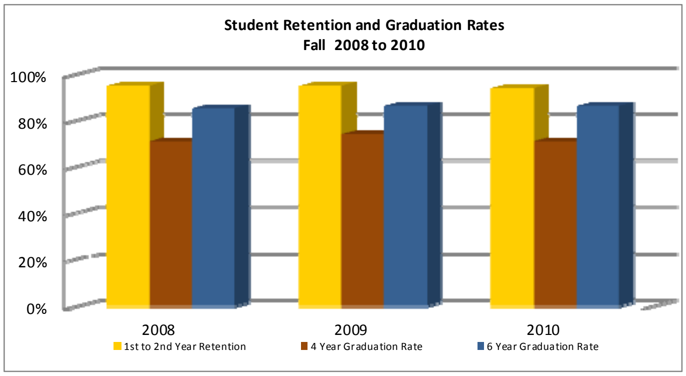
Academic Profile

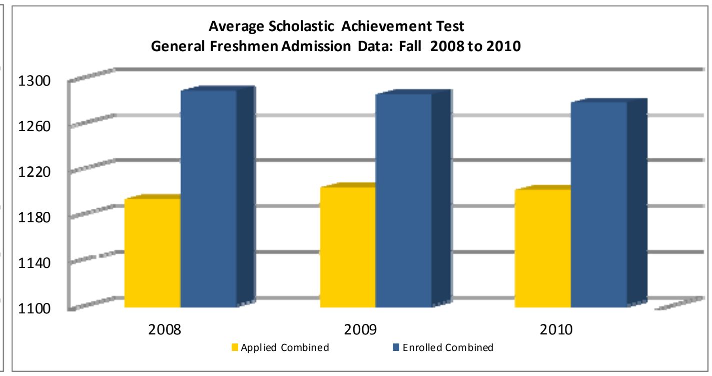
Faculty

In fall 2010, the College's overall full-time equivalent (FTE) faculty count was 475. Approximately 73% of the total faculty FTE was full-time (348) and the remaining 27% (127) included permanent part-time faculty, adjunct, and teaching professional staff. Faculty FTE is equated at 12 faculty weighted hours per term. During this same period, the total enrollment FTE was 6,727 and the student to faculty ratio was 13:1. Seventy four percent of the full-time faculty is tenured and 89% have a doctorate or other terminal degree. The College does not employ graduate teaching assistants and that increases faculty involvement in the curriculum and enriches student learning.

Student

The College enjoys a healthy student demand and continues to attract academically talented students. The fall 2010 full-time freshmen class enrolled 1,421 students yielding a 30% matriculation ratio based upon a 47% acceptance ratio for 9,956 applicants. For fall 2010, the average Scholastic Aptitude Test (SAT) for the general applied group was a combined 1201 with an enrolled combined of 1277. 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 of 71% and 86% respectively. Currently, 96% of the freshmen class and 62% of all undergraduate students live on campus.





The 2010–2011 academic year concluded with the awarding of 1,479 bachelor's degrees, 414 master's degrees, and 118 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 Assets, the Statement of Revenues, Expenses and Changes in Net Assets 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. Sustained increases or decreases in net assets 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 $40.7 million and $39.6 million for the years ended June 30, 2011 and 2010, 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, 2011 and 2010, scholarship allowance totaled $24.6 million and $25.1 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $17.7 million and $16.2 million for the years ended June 30, 2011 and 2010, respectively.

- Unrestricted net assets comprise 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 assets. 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 Assets

The statement of net assets presents the College's financial position at the end of the fiscal years 2011 and 2010, including all assets, liabilities and net assets 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. 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, and liabilities is shown as net assets. Net assets are one indicator of the financial condition of the College, while the change in net assets during the year is a measure of whether the overall condition has improved or worsened during the year.

Net assets are the residual interest in the College's assets after the liabilities are deducted. Net assets are classified into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant, and equipment. The second net asset category is expendable restricted net assets. These net assets 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 assets 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 assets are not subject to externally imposed stipulations, substantially all of the College's unrestricted net assets have 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 Assets 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 assets at June 30, 2011, 2010, and 2009 are as follows:

Condensed Statement of Net Assets
(Amounts in thousands)

	2011	2010	2009
Assets:			
Current assets	$ 103,123	109,631	110,559
Capital assets, net	564,959	545,983	520,168
Other noncurrent assets	88,791	96,343	74,812
Total assets	756,873	751,957	705,539
Deferred Outflow	2,645	3,580	4,329
Liabilities:			
Current liabilities	39,116	36,417	37,061
Noncurrent liabilities	379,361	387,119	348,169
Total liabilities	418,477	423,536	385,230
Net assets:			
Invested in capital assets, net of related debt	212,893	204,440	214,275
Restricted Expendable	4,581	6,983	3,774
Unrestricted	123,567	120,578	106,589
Total net assets	$ 341,041	332,001	324,638

Statement of Net Assets Financial Highlights

Assets

During fiscal years 2011 and 2010, the College's total assets increased by $4.9 million or 1.0% and $46.4 million or 7.0%, respectively. At June 30, 2011, the College's working capital, which is current assets less current liabilities, was $64 million, a decrease of $9.2 million from the previous year. The largest driver of the decline was the decrease in cash and cash equivalents which was primarily related to a change in allocation to long-term investments.

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 approximately 3.0

times above current liabilities in both fiscal years 2011 and 2010, the College had adequate liquidity to satisfy its current obligations.

Cash and Investments

In fiscal year 2011, cash and cash equivalents decreased by $16.7 million, or 21.5%, primarily due to the increased allocation to the investment pools. 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, 2011, investments totaled $36.1 million, representing an increase of $21.9 million which was due to positive investment returns plus the transfer of excess cash to be invested in fixed income securities rated A or better based on the investment policy and guidelines that was approved by the Board of Trustees.

Cash and Cash Equivalents and Investments
(Amounts in thousands)

		2011	2010	2009
Cash and cash equivalents	$	60,915	77,597	86,712
Investments - current		15,631	4,293	4,249
Investments - noncurrent		20,517	9,996	—
Total cash and cash equivalents and investments	$	97,063	91,886	90,961

In fiscal year 2010, cash and cash equivalents decreased by $9.1 million, or 10.5%, primarily due to the transfer of cash to be invested U.S. Treasury notes based on the investment policy and guidelines that was approved by the Board of Trustees. 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, 2010, investments totaled $14.3 million, representing an increase of $10.0 million which was due to the purchase of U.S. Treasury notes.

Deposits Held With Bond Trustees

During fiscal year 2011, deposits held with bond trustees decreased by $18.0 million, or 29.6%, primarily due to reimbursements from construction funds for debt financed capital expenditures. This was offset by interest earnings on these deposits.

During fiscal year 2010, deposits held with bond trustees increased by $17.5 million, or 40.4%, primarily due to new bonds that were issued to finance the construction of a new academic building for the school of education. This was offset by reimbursements from the construction funds for bond financed capital expenditures.

Deferred Financing Costs

During fiscal years 2011 and 2010, deferred financing costs decreased by $2.0 million and $1.4 million, respectively due to the amortization of bond issue costs. These deferred costs are being amortized over the remaining life of the bonds.

Capital Assets

At June 30, 2011, the College had $565 million invested in capital assets, net of accumulated depreciation of $178 million. Depreciation charges totaled $17.7 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, 2011, 2010, and 2009:

Capital Additions
(Amounts in thousands)

		2011	2010	2009
Additions (transfers):				
Buildings and building improvements	$	3,411	83,598	2,688
Land		532	—	—
Infrastructure		2,923	1,936	243
Equipment and other assets		2,689	3,587	7,707
Construction in progress		27,134	(47,137)	46,641
Net total additions	$	36,689	41,984	57,279

Liabilities

Current Liabilities

Current liabilities increased by $2.7 million, or 7.4%, in fiscal year 2011 primarily due to increases in deferred revenues and student deposits, obligations under natural gas forward contracts and bonds payable due within the next fiscal year.

Current liabilities decreased by $644 thousand, or 1.7%, in fiscal year 2010 primarily due to payment of prior year invoices for construction and goods and services that were accrued at the end of fiscal year 2009, coupled with a reduction in legal contingency for construction related projects. This was offset by increases in deferred contractual salary obligations and compensated absences for the accrual bank leave days negotiated as part of the State's mandated furloughs in fiscal year 2010.

Noncurrent Liabilities

During fiscal year 2011, noncurrent liabilities decreased by $7.8 million, or 2.0%, primarily due to the repayment of principal on various bond issues coupled with a reduction in the obligations for natural gas forward contracts.

During fiscal year 2010, noncurrent liabilities increased by $39.0 million, or 11.2%. The increase was primarily due to $44.5 million in additional principal for the Series 2010 A & B bonds that were issued to finance the construction of a new building for the school of education along with the recording of natural gas forward contracts. This increase was offset by the current year repayment of principal on various other bond issues.

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 also an important factor in our ability to recruit highly qualified students. At June 30, 2011, the College had $381 million in outstanding bonds and other long-term obligations, compared to $386.2 million at June 30, 2010. TCNJ's debt burden is a function of the State's inability to consistently finance academic infrastructure and the College's strategic choice to invest and reinvest in the campus over the past decade. No new debt was issued during fiscal year 2011.

In fiscal year 2010, the College issued $44.5 million in new debt to finance a new state-of-the-art school of education building. The bonds were issued as combination of tax-exempt and taxable Build America Bonds. The Build America Bonds are part of the American Recovery and Reinvestment Act of 2009. The College will receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on these bonds on each interest payment date. Additional information about the College's existing long-term liabilities is presented in note 9 to the financial statements. At June 30, 2011, 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 Assets

Net assets represent the value of the College's assets after liabilities are deducted. The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year. During fiscal years 2011 and 2010, net assets increased by $9.0 million, or 2.7%, and $7.4 million, or 2.3%, respectively. In both fiscal years, the increases were directly related to the College's positive surplus.

At June 30, 2011 and 2010, the total net assets were reflected in the following three component categories:

- Invested in capital assets, net of related debt, represents the College's capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets. At June 30, 2011 this category had a net increase of $8.5 million to $213 million over the previous fiscal year. At June 30, 2010 this category had a net decrease of $9.8 million to $204.4 million over the previous fiscal year. Such changes are largely driven by the timing of debt issuance and the completion of associated construction projects.
- Restricted Expendable Net Assets are resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During fiscal year 2011, this category decreased by $2.4 million primarily due to payment of debt principal During fiscal year 2010 this category increased by $3.2 million primarily due to the issuance of new debt.
- Unrestricted Net Assets are not subject to externally imposed stipulations although these resources may be designated for specific purposes by the College's management or Board of Trustees. At June 30, 2011, this category increased by $3.0 million to $123.6 million over the previous fiscal year. At June 30, 2010, this category increased by $14.0 million to $120.6 million over the previous fiscal year. Maintaining adequate levels of unrestricted net assets 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 Assets

The statement of revenues, expenses, and changes in net assets 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 assets is more indicative of the overall financial results for the fiscal year.

The statement of revenues, expenses, and changes in net assets reflect positive performances over the last three years with increases in net assets at the end of each year. A summary of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2011, 2010, and 2009 is as follows:

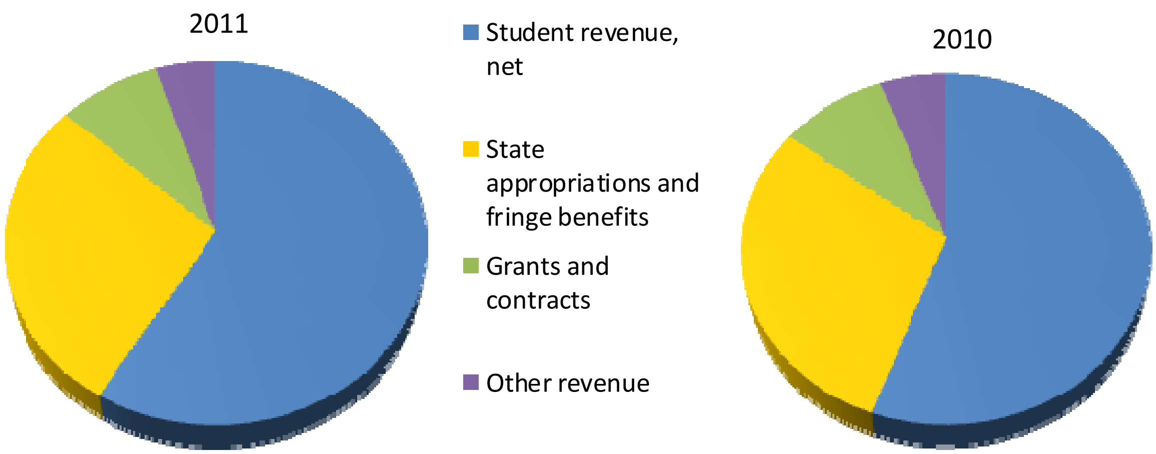
Condensed Statement of Revenues, Expenses and Changes in Net Assets (Amounts in thousands)

	2011	2010	2009
Net student revenues	$ 117,193	105,375	103,349
Government grants and contracts	16,958	17,568	16,102
Auxiliary activities	4,220	4,197	4,543
Other	3,523	6,126	3,762
Operating revenues	141,894	133,266	127,756
Instruction and research	62,339	60,948	58,405
Auxiliary activities	29,261	25,948	26,543
Institutional support	10,844	10,591	10,375
Operation and maintenance of plant	21,806	21,359	21,446
Student services	13,008	12,654	12,144
Academic support	12,174	12,579	12,459
Depreciation	17,713	16,169	15,588
Other	6,450	5,281	5,062
Operating expenses	173,595	165,529	162,022
Operating loss	(31,701)	(32,263)	(34,266)
NJ State and government appropriations	55,812	56,234	56,777
Other expenses, net	(15,071)	(16,608)	(8,839)
Net nonoperating revenues	40,741	39,626	47,938
Increase in net assets	9,040	7,363	13,672
Net assets, beginning of year	332,001	324,638	310,966
Net assets, end of year	$ 341,041	332,001	324,638

Statement of Revenues, Expenses, and Changes in Net Assets 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, 2011 and 2010 (amounts in thousands):



	2011		2010	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Student revenue, net	$ 117,193	58.7%	$ 105,375	55.5%
State appropriations and fringe benefits	55,812	28.0%	56,234	29.6%
Grants and contracts	16,958	8.5%	17,568	9.3%
Other revenue	9,697	4.8%	10,615	5.6%
	$ 199,660	100.0%	$ 189,792	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 $8.6 million or 6.5% in fiscal year 2011, and by $5.5 million or 4.7% in fiscal year 2010.

Tuition and Fees

Tuition and fees revenues increased $6.0 million, or 6.4%, and $2.1 million, or 2.3%, in fiscal years 2011 and 2010, respectively. These increases were attributed to a strategic growth in enrollment coupled with in-state tuition increases of 4.0% and 3.0% in fiscal years 2011 and 2010, respectively.

Student Housing and Fees

Student housing and fees revenues increased $5.4 million, or 14.5%, and $1.2 million, or 3.4%, in fiscal years 2011 and 2010, respectively. The fiscal year 2011, increase can be attributed to the room and board increase of approximately 4.0% coupled with additional room occupancy due to the completion of a renovated residence hall. The fiscal year 2010, increase can be attributed to the room and board increase of approximately 4.0% offset by a modest reduction in room occupancy levels.

Scholarship Allowance

Scholarship allowance decreased by $0.5 million, or 2.0% at June 30, 2011 after increasing by $1.3 million, or 5.4%, for fiscal year 2010. The fiscal year 2011 decline was the result of a 14.2% reduction in state funded scholarships compared to the previous year. This was offset by increases in federal and College funded scholarships awards.

The fiscal year 2010 increase was primarily due to increases in the College funded scholarships, State funded Tuition Aid Grant (TAG) and Federal Pell Grants. This increase was offset by the reduction in other State funded scholarship programs. A summary of the scholarship allowance for the years ended June 30, 2011, 2010, and 2009 is as follows:

Scholarship Allowance
(Amounts in thousands)

		2011	2010	2009
State scholarships	$	6,758	7,875	8,066
Federal scholarships		5,152	4,705	3,541
College scholarships		12,703	12,522	12,212
Total scholarships	$	24,613	25,102	23,819

Auxiliary Activities

Auxiliary activities, which are self-supporting activities, accounted for approximately 3.0% and 3.1% of the total operating revenues in fiscal years 2011 and 2010, respectively. 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 year 2011, federal grants and contracts had a net decrease of $1.1 million, or 11.9%, primarily due to a one-time stimulus funding in the previous year. This decrease was offset by an overall increase of $467 thousand or 5.5% in state funded grant activities.

In fiscal year 2010, Government grants and contracts revenue increased by $1.5 million, or 9.1%, primarily due to the increase in federal grant funding from the National Science Foundation. This increase was offset by an overall reduction in state funded grant activities.

Nonoperating Revenues

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

New Jersey State Appropriations

New Jersey state appropriations represented 28.0% and 29.6% of the total College revenues in fiscal years 2011 and 2010, 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 2011, the gross state support to the College decreased by $0.4 million, or 0.8%, due to a $2.0 million reduction to the base appropriation which was offset by a $1.6 million increase in fringe benefits funded by the State.

In fiscal year 2010, the gross state support to the College decreased by $0.5 million, or 1.0%, due to a $1.7 million reduction to the base appropriation which was offset by a $1.2 million increase in fringe benefits funded by the State.

The breakdown of the state appropriations at June 30, 2011, 2010, and 2009 is as follows:

State Appropriations
(Amounts in thousands)

		2011	2010	2009
State appropriations	$	30,480	32,451	34,215
Fringe benefits		25,332	23,783	22,562
Gross state support	$	55,812	56,234	56,777

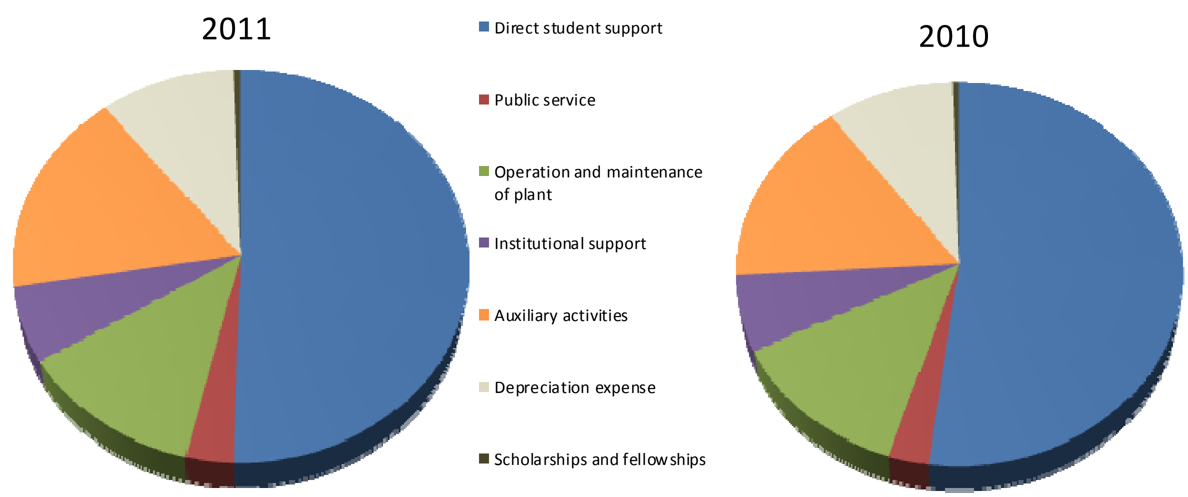
Investment Income

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 2011, with short-term interest rates at historically low levels, the investment portfolio earned a total of $448 thousand compared to $292 thousand in the previous fiscal year.

The tumultuous performance of the financial markets during fiscal year 2010 which resulted in dramatic interest rates reductions by the Federal Reserve significantly impacted College's investment returns. At June 30, 2010, investment income decreased by $1.3 million from the previous fiscal year.

Expenses

The following is an illustration of operating expenses by function for the fiscal years ended June 30, 2011 and 2010 (amounts in thousands):



	2011			2010		
		Amount	Percent		Amount	Percent
	(Amounts in thousands)					
Instruction and research	$	62,339	35.9%	$	60,948	36.8%
Academic support		12,174	7.0%		12,579	7.6%
Student services		13,008	7.5%		12,654	7.6%
Direct student support	$	87,521	50.4%	$	86,181	52.1%
Public service	$	5,585	3.2%	$	4,491	2.5%
Operation and maintenance of plant		21,806	12.6%		21,359	12.9%
Institutional support		10,844	6.2%		10,591	6.4%
Auxiliary activities		29,261	16.9%		25,948	15.7%
Depreciation expense		17,713	10.2%		16,169	9.8%
Scholarships and fellowships		865	0.5%		790	0.5%
	$	173,595	100.0%	$	165,529	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 2011 and 2010, total operating expenses were $173.6 million and $165.5 million, respectively, representing an overall increase of 4.9% and 2.2%, 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 2011 and 2010, both functional categories had increases primarily due to the filling of some vacant faculty positions coupled with contractual salary and related fringe benefit increases.

Academic Support

In fiscal years 2011 and 2010, academic support remained relatively stable due to contractual salary and related fringe benefit increases that were offset by the capitalization of some academic related equipment.

Public Service

The $1.1 million increase in public service resulted from the increased expenses of grants and contracts that are targeted toward community service activities. This category remained relatively stable with the same level of investment in fiscal years 2010 and 2009.

Student Services

In fiscal years 2011 and 2010, the student services increases were primarily due to contractual salary and related fringe benefit increases coupled with additional investment for the second phase of the student life transformation initiative that will be integrated with the academic transformation.

Operation and Maintenance of Plant

In fiscal year 2011, the increase in operation and maintenance of plant was due to salary and related fringe benefits increases plus additional cost for fuel and utilities. Operation and maintenance of plant remained relatively stable during fiscal year 2010. Increases in fiscal year 2010 due to salary and related fringe benefits were offset by savings generated from the College's energy conservation program.

Institutional Support

In fiscal years 2011 and 2010, the increases in institutional support category were primarily due to the strategic funding allocations for the institutional positioning initiatives and the feasibility study for a major fundraising campaign.

Auxiliary Activities

The $3.3 million or 12.8% increase during fiscal year 2011, in auxiliary activities was primarily due to higher meal plan activity as a result of a newly renovated residence hall that was placed in operation. Salary and fringe benefits plus fuel and utilities also contributed to the increase in auxiliary activities.

In fiscal year 2010, the decrease of $595 thousand or 2.2% in auxiliary activities was primarily due to reductions in food service expense and fuel and utilities costs due to a residence hall taken out of service for renovation.

Depreciation Expense

Depreciation expense increased by $1.5 million or 9.6%, and $581 thousand, or 3.7%, in fiscal years 2011 and 2010, respectively, due to completed buildings and improvements being transferred out of construction in progress to investment in plant and thus being depreciated.

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. In both fiscal years 2011 and 2010, the increase in interest expense was mainly due the issuance of new tax exempt debt plus taxable Build America Bonds to finance the construction of a new academic building for the school of education. This was offset by the net amortization of bonds premium and discount.

Transactions with Affiliates

The College's affiliates include the College of New Jersey Foundation and Trenton State College Corporation. In fiscal year 2011, transactions with affiliates had a net increase of $1.6 million compared to a net decrease of $594 thousand in the previous fiscal year. 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 that will be needed for a future development of a campus town and the remaining four as part of the strategic acquisition plan of the College. In exchange for this, the College will cancel the reimbursement that was due from the Corporation in the amount of $1,811 for the purchase and renovation of the Country Club Apartments. The increase at June 30, 2011, was primarily due to four properties that were transferred to the College.

Other Revenues (Expenses), Net

In fiscal year 2011, other non-operating expenses decreased $163 thousand mainly due to an increase in the Build America Bond Subsidy. In fiscal year 2010, other non-operating expenses increased $2.3 million, because in the previous fiscal year, there were some non-recurring capital funding receipts for facilities renovation plus the amortization of bond issue costs and other non-capital expenditures.

Operating Margin

In fiscal years 2011 and 2010, operating losses were $31.7 million and $32.3 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 6.9% for the last three fiscal years providing adequate annual debt service coverage of 2.3 times.

Economic Factors that Will Affect the Future

The College has a long tradition of effective financial planning, and resource allocation that has allowed it to continue strengthening its financial position through positive operating results and respond to future challenges and opportunities. For the fiscal years ending June 30, 2011 and 2010, the College finished with $9.0 million and $7.4 million, or 2.7% and 2.3%, increase in net assets, respectively. The increase in net assets is one indicator that the College's financial health continues to improve, reflecting sound and careful fiscal management across the institution.

TCNJ has seen a continued decline in its base state appropriation although the total state appropriations (which include fringe benefits paid by the State) have been relatively flat due the rising cost of healthcare and other fringe benefits. With the State continuing to face structural fiscal imbalance, we believe it is likely that state support will not keep pace with the College's needs.

Historically, there has been a direct relationship between the reduction of state support and the College's ability to control the tuition and fees increase, as reduced growth in state appropriations generally necessitates increased tuition and fees levels.

Cognizant of our responsibility to allocate resources strategically and keep the cost of education at TCNJ affordable, the College has identified a couple of areas of focused review and a number of strategies to ensure the maintenance of the College's long-term financial health. Underlying the focused reviews is a commitment to improving the structure and processes of strategic planning and of facilities master planning. These planning enhancements should be informed by a better understanding of the increasing demand for institutional scholarships strategic enrollment management and thoughtful investment in academic program excellence. The strategies include cost containment initiatives, expanding fund-raising activities, investment in facilities, diversifying revenues, enhancing entrepreneurial activity and reviewing the organizational structure to affect financial efficiencies and preserve organizational effectiveness.

The national and state economy will continue to pose budgetary challenges for the College in the future. However, 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 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 ASSETS

June 30, 2011

(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	$	60,915	637	61,552
Restricted cash and cash equivalents		—	42	42
Receivables:				
Student accounts, net of allowance of doubtful accounts of $323		2,810	—	2,810
Student loans		832	—	832
Grants		4,060	—	4,060
Due from State of New Jersey (note 5)		1,199	—	1,199
Other		1,191	39	1,230
Total receivables		10,092	39	10,131
Investments (notes 4 and 17)		15,631	2,321	17,952
Restricted deposits held with bond trustees (note 7)		13,892	—	13,892
Prepaid expenses and other assets		2,593	—	2,593
Total current assets		103,123	3,039	106,162
Noncurrent assets:				
Student loans receivable, net of allowance of doubtful loans of $449		3,025	—	3,025
Restricted deposits held with bond trustees (note 7)		28,923	—	28,923
Other assets		—	9	9
Investments (notes 4 and 17)		20,517	536	21,053
Restricted investments (notes 4 and 17)		—	20,720	20,720
Deferred financing costs, net of accumulated amortization of $9,143		36,326	—	36,326
Capital assets, net (note 6)		564,959	—	564,959
Total noncurrent assets		653,750	21,265	675,015
Total assets		756,873	24,304	781,177
Deferred Outflow				
Natural gas forward contracts (note 16)		2,645	—	2,645
Total deferred outflow		2,645	—	2,645
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 8)		24,411	373	24,784
Compensated absences – current portion (note 12)		3,074	—	3,074
Due to/(from) affiliates (note 3)		53	(3)	50
Deferred revenue and student deposits		2,676	—	2,676
Natural gas forward contracts - current portion (note 16)		2,645	—	2,645
Bonds payable – current portion, including net premium of $644 (note 9)		5,714	—	5,714
Other long-term obligations – current portion (note 9)		543	—	543
Total current liabilities		39,116	370	39,486
Noncurrent liabilities (note 9):				
Compensated absences – noncurrent (note 12)		215	—	215
U.S. and Government grants refundable		4,414	—	4,414
Bonds payable – noncurrent, including net premium of $9,086 (note 9)		367,376	—	367,376
Other long-term obligations (note 9)		7,356	2,411	9,767
Total noncurrent liabilities		379,361	2,411	381,772
Total liabilities		418,477	2,781	421,258
Net Assets				
Invested in capital assets, net of related debt		212,893	—	212,893
Restricted:				
Nonexpendable:				
Scholarships		—	6,897	6,897
Expendable:				
Scholarships		—	7,552	7,552
Research		—	161	161
Other		4,395	3,330	7,725
Student loans		186	—	186
Unrestricted (note 13)		123,567	3,583	127,150
Total net assets	$	341,041	21,523	362,564

See accompanying notes to financial statements.

STATEMENT OF NET ASSETS

June 30, 2010

(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	$ 77,597	1,788	79,385
Restricted cash and cash equivalents	—	3	3
Receivables:			
Student accounts, net of allowance of doubtful accounts of $323	2,099	—	2,099
Student loans	768	—	768
Grants	2,916	—	2,916
Due from State of New Jersey (note 5)	1,186	—	1,186
Other	1,927	115	2,042
Total receivables	8,896	115	9,011
Investments (notes 4 and 17)	4,293	1,126	5,419
Restricted investments (notes 4 and 17)	—	380	380
Restricted deposits held with bond trustees (note 7)	16,125	—	16,125
Prepaid expenses and other assets	2,720	—	2,720
Total current assets	109,631	3,412	113,043
Noncurrent assets:			
Student loans receivable, net of allowance of doubtful loans of $281	3,399	—	3,399
Restricted deposits held with bond trustees (note 7)	44,667	—	44,667
Other assets	—	90	90
Investments (notes 4 and 17)	9,996	—	9,996
Restricted investments (notes 4 and 17)	—	17,038	17,038
Deferred financing costs, net of accumulated amortization of $7,188	38,281	—	38,281
Capital assets, net (note 6)	545,983	—	545,983
Total noncurrent assets	642,326	17,128	659,454
Total assets	751,957	20,540	772,497
Deferred Outflow			
Natural gas forward contracts (note 16)	3,580	—	3,580
Total deferred outflow	3,580	—	3,580
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (note 8)	24,175	372	24,547
Compensated absences – current portion (note 12)	3,217	—	3,217
Due to/(from) affiliates (note 3)	38	(1)	37
Deferred revenue and student deposits	1,673	—	1,673
Natural gas forward contracts - current portion (note 16)	2,092	—	2,092
Bonds payable – current portion, including net premium of $646 (note 9)	4,696	—	4,696
Other long-term obligations – current portion (note 9)	526	—	526
Total current liabilities	36,417	371	36,788
Noncurrent liabilities (note 9):			
Compensated absences – noncurrent (note 12)	238	—	238
Natural gas forward contracts - noncurrent (note 16)	1,488	—	1,488
U.S. and Government grants refundable	4,404	—	4,404
Bonds payable – noncurrent, including net premium of $9,730 (note 9)	373,090	—	373,090
Other long-term obligations (note 9)	7,899	2,362	10,261
Total noncurrent liabilities	387,119	2,362	389,481
Total liabilities	423,536	2,733	426,269
Net Assets			
Invested in capital assets, net of related debt	204,440	—	204,440
Restricted:			
Nonexpendable:			
Scholarships	—	6,667	6,667
Expendable:			
Scholarships	—	4,189	4,189
Research	—	142	142
Other	6,660	3,693	10,353
Student loans	323	—	323
Unrestricted (note 13)	120,578	3,116	123,694
Total net assets	$ 332,001	17,807	349,808

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2011

(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	$ 99,470	—	99,470
Less tuition scholarship allowances	(19,121)	—	(19,121)
Net student tuition and fees	80,349	—	80,349
Student housing and fees	42,336	—	42,336
Less housing scholarship allowances	(5,492)	—	(5,492)
Net student housing and fees	36,844	—	36,844
Federal grants and contracts	8,009	—	8,009
State of New Jersey grants and contracts	8,949	—	8,949
Auxiliary activities	4,220	—	4,220
Contributions	—	3,095	3,095
Interest on student loans receivable	94	—	94
Other operating revenues	3,429	747	4,176
Total operating revenues	141,894	3,842	145,736
Operating expenses:			
Instruction	53,397	—	53,397
Research	8,942	—	8,942
Academic support	12,174	—	12,174
Public service	5,585	—	5,585
Student services	13,008	—	13,008
Operation and maintenance of plant	21,806	—	21,806
Institutional support	10,844	—	10,844
Scholarships and fellowships	865	496	1,361
Auxiliary activities	29,261	—	29,261
Fundraising	—	72	72
Depreciation	17,713	—	17,713
Total operating expenses	173,595	568	174,163
Operating (loss) income	(31,701)	3,274	(28,427)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	30,480	—	30,480
State of New Jersey fringe benefits	25,332	—	25,332
Investment income	448	3,438	3,886
Interest expense	(15,697)	—	(15,697)
Transactions with affiliates (note 3)	1,506	(2,806)	(1,300)
Other revenues (expenses), net	(1,328)	(420)	(1,748)
Net nonoperating revenues (expenses)	40,741	212	40,953
Income before other revenues	9,040	3,486	12,526
Additions to permanent endowments	—	230	230
Increase in net assets	9,040	3,716	12,756
Net assets as of beginning of year	332,001	17,807	349,808
Net assets as of end of year	$ 341,041	21,523	362,564

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2010

(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	$ 93,496	—	93,496
Less tuition scholarship allowances	(19,691)	—	(19,691)
Net student tuition and fees	73,805	—	73,805
Student housing and fees	36,981	—	36,981
Less housing scholarship allowances	(5,411)	—	(5,411)
Net student housing and fees	31,570	—	31,570
Federal grants and contracts	9,086	—	9,086
State of New Jersey grants and contracts	8,482	—	8,482
Auxiliary activities	4,197	—	4,197
Contributions	—	1,550	1,550
Interest on student loans receivable	25	—	25
Other operating revenues	6,101	1,297	7,398
Total operating revenues	133,266	2,847	136,113
Operating expenses:			
Instruction	52,635	—	52,635
Research	8,313	—	8,313
Academic support	12,579	—	12,579
Public service	4,491	—	4,491
Student services	12,654	—	12,654
Operation and maintenance of plant	21,359	—	21,359
Institutional support	10,591	—	10,591
Scholarships and fellowships	790	471	1,261
Auxiliary activities	25,948	—	25,948
Fundraising	—	116	116
Depreciation	16,169	—	16,169
Total operating expenses	165,529	587	166,116
Operating (loss) income	(32,263)	2,260	(30,003)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	32,451	—	32,451
State of New Jersey fringe benefits	23,783	—	23,783
Investment income	292	1,529	1,821
Interest expense	(15,342)	—	(15,342)
Transactions with affiliates (note 3)	(67)	(1,196)	(1,263)
Other revenues (expenses), net	(1,491)	293	(1,198)
Net nonoperating revenues (expenses)	39,626	626	40,252
Income before other revenues	7,363	2,886	10,249
Additions to permanent endowments	—	414	414
Increase in net assets	7,363	3,300	10,663
Net assets as of beginning of year	324,638	14,507	339,145
Net assets as of end of year	$ 332,001	17,807	349,808

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

(Business-Type Activities – College only)
Years ended June 30, 2011 and 2010
(Amounts in thousands)

		2011	2010
Cash flows from operating activities:			
Student tuition and fees	$	80,954	72,782
Federal, State, and local grants and contracts		15,814	15,612
Payments to suppliers		(34,855)	(36,997)
Payments to employees		(86,789)	(84,211)
Payments for benefits		(2,112)	(1,463)
Student housing and auxiliary activities		37,938	32,796
Other receipts, net		3,523	6,126
Net cash provided by operating activities		14,473	4,645
Cash flows from noncapital financing activities:			
New Jersey State appropriations		30,480	32,451
Other receipts, net		1,230	578
Net cash provided by noncapital financing activities		31,710	33,029
Cash flows from capital and related financing activities:			
Purchase of capital assets		(36,394)	(41,984)
Net (additions) withdrawals to deposits held with bond trustees		11,710	(17,505)
Bond issuance costs		—	(626)
Proceeds from bond issuance		—	44,639
Principal payments on bonds and other obligations		(4,576)	(4,351)
Interest payments on bonds and other obligations		(12,209)	(17,335)
Net cash used by capital and related financing activities		(41,469)	(37,162)
Cash flows from investing activities:			
Interest on investments		179	345
Purchases of investments		(25,000)	(10,000)
Maturities of investments		3,425	28
Net cash used by investing activities		(21,396)	(9,627)
Net change in cash and cash equivalents		(16,682)	(9,115)
Cash and cash equivalents as of beginning of year		77,597	86,712
Cash and cash equivalents as of end of year	$	60,915	77,597
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(31,701)	(32,263)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		17,713	16,169
State of New Jersey fringe benefits		25,332	23,783
Changes in assets and liabilities:			
Receivables, net		(823)	(5,102)
Prepaid expenses		127	(141)
Accounts payable and accrued expenses		2,208	2,267
Accrued salaries		599	(48)
Other accrued expenses		15	—
Deferred revenue and student deposits		1,003	(20)
Net cash provided by operating activities	$	14,473	4,645

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 2010, the College enrolled 6,360 full-time equated undergraduate students and 367 full-time equated graduate students. The College has residential facilities that house approximately two thirds of the students on campus and another third of the student population in housing nearby.

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. The College's financial statements are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Board of the Committee on Accounting Procedure issued solely on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 asset categories.

- ***Invested in capital assets, net of related debt:*** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- ***Restricted:***

  Nonexpendable: Net assets that are subject to externally imposed stipulations and must be maintained permanently by the College.

  Expendable: Net assets that are 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 assets that are 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 2011 and 2010 reflect a net decrease in fair value of investments of $35 and $123, 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, 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. Library materials are capitalized and amortized over a five-year period. 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, 2011 are approximately $18,059. Such construction is principally financed by proceeds from long-term debt.

(g) Deferred Revenue

Deferred 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 $1,460 and $1,257 in fiscal years 2011 and 2010, 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 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 assets 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) ***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.

(m) ***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. The current economic environment increases the uncertainty in 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 support of scholarships, restricted private grants, and donated capital assets of $2,612 and $1,196 during fiscal years 2011 and 2010, respectively. As of June 30, 2011 and 2010 a net payable of $3 and $1 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 2011 and 2010, the College incurred $386 and $345, 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, 2011 and 2010, there were outstanding payables due to the Corporation relating to these expenses of $83 and $57, 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 $304 and $294 for June 30, 2011 and 2010, respectively, of which $33 and $20 were due to the College as of June 30, 2011 and 2010, respectively.

The Corporation had purchased some Transfer Housing facilities in order to provide additional housing for the College's students. During fiscal years 2011 and 2010, 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 2011 and 2010 were $236 and $258, 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 that will be needed for a 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 $870 to the College during 2011. The remaining six campus town properties valued at $1,003 will be transferred closer to the start of the campus town project. In exchange for this, the College will not request the Corporation to 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 will provide the difference of $62 to the Corporation. In fiscal year 2011, Carlton Avenue land with a value of $240 located near the main entrance of the College was transferred from the Corporation to the College.

(4) Cash, Cash Equivalents, and Investments

Cash and cash equivalents were $60,915 and $77,597 as of June 30, 2011 and 2010, respectively, which included $56,309 and $72,572, respectively, held in the State of New Jersey Cash Management fund and $4,606 and $5,025, respectively, held in various accounts at Wachovia Bank. Of the amounts held at Wachovia 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.

Notes to the Financial Statements (dollar amounts in thousands)

The College has an investment policy, approved by the Board of Trustees, that establishes guidelines for permissible investments. The College may invest in obligations of the U.S. Government, the State of New Jersey Cash Management Fund, collateralized certificates of deposit, Commonfund Investments, and other fixed income securities rated A or better at the time of purchase. 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 and corporate notes. The Commonfund is a nonprofit provider of intermediate-term fixed income investment products for nonprofit institutional clients.

The College's investments as of June 30, 2011 and 2010 are as follows:

Investments

		2011	2010
U.S. Treasury bonds and notes	$	21,024	9,996
U.S. Government agencies		9,539	—
Corporate notes		4,587	—
Money market fund		860	4,160
Commonfund – Intermediate-term fund		138	133
Total	$	36,148	14,289

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, 2011, the College's fixed income investments, which consist of U.S. Treasury bonds and notes, U.S. Government agencies, corporate notes, and money market funds were rated as follows:

Fixed Income Investments Ratings 2011

Rating		Total	U.S. Treasury bonds and notes	U.S. Government agencies	Corporate notes	Money market fund
Aaa	$	32,442	21,024	9,539	1,019	860
Aa2		1,011	—	—	1,011	—
Aa3		1,498	—	—	1,498	—
A1		162	—	—	162	—
A2		897	—	—	897	—
Total	$	36,010	21,024	9,539	4,587	860

Notes to the Financial Statements (dollar amounts in thousands)

As of June 30, 2010, the College's fixed income investments consisted of one U.S. Treasury note and money market funds that were all Aaa rated.

The Commonfund is a mutual fund. As of June 30, 2011 and 2010, the Commonfund intermediate term fund was not rated.

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, 2011, the College's fixed income investments which consist of U.S. Treasury bonds and notes, U.S. Government agencies, and corporate notes, had maturity dates as follows:

Fixed Income Investments Maturity 2011

Maturing in years		Total	U.S. Treasury bonds and notes	U.S. Government agencies	Corporate notes	Money market fund
Less than 1	$	16,994	13,619	1,357	1,158	860
1 – 5		19,016	7,405	8,182	3,429	—
Total	$	36,010	21,024	9,539	4,587	860

As of June 30, 2010, the College was invested in one Aaa rated U.S. Treasury note due to mature on December 31, 2011. The money market fund had a weighted average maturity of less than one year.

(5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2011 and 2010:

Due (to) from State of New Jersey

		2011	2010
FICA benefit reimbursement	$	487	923
Fringe benefit reimbursement		—	(387)
Alternative Benefit Programs (ABP)		712	650
Total	$	1,199	1,186

Notes to the Financial Statements (dollar amounts in thousands)

(6) Capital Assets

Capital asset activity for the years ended June 30, 2011 and 2010 was as follows:

Capital Assets 2011

2011		Beginning balance	Additions	Transfers/ retirements	Ending balance
Nondepreciable assets:					
Land	$	21,157	532	—	21,689
Construction in progress		26,557	30,904	(3,770)	53,691
Total nondepreciable assets		47,714	31,436	(3,770)	75,380
Depreciable assets:					
Land improvements		230	—	—	230
Buildings		499,934	1,623	12	501,569
Building improvements		47,337	745	1,031	49,113
Infrastructure		46,802	485	2,438	49,725
Equipment and other assets		63,885	2,400	289	66,574
Total depreciable assets		658,188	5,253	3,770	667,211
Total capital assets		705,902	36,689	—	742,591
Accumulated depreciation:					
Land improvements		(138)	(9)	—	(147)
Buildings		(97,384)	(10,033)	—	(107,417)
Building improvements		(14,623)	(1,894)	—	(16,517)
Infrastructure		(5,927)	(1,337)	—	(7,264)
Equipment and other assets		(41,847)	(4,440)	—	(46,287)
Total accumulated depreciation		(159,919)	(17,713)	—	(177,632)
Capital assets, net	$	545,983	18,976	—	564,959

Notes to the Financial Statements (dollar amounts in thousands)

Capital Assets 2010					
2010		Beginning balance	Additions	Transfers/ retirements	Ending balance
Nondepreciable assets:					
Land	$	21,157	—	—	21,157
Construction in progress		73,694	18,893	(66,030)	26,557
Total nondepreciable assets		94,851	18,893	(66,030)	47,714
Depreciable assets:					
Land improvements		230	—	—	230
Buildings		418,180	18,846	62,908	499,934
Building improvements		45,493	374	1,470	47,337
Infrastructure		44,866	334	1,602	46,802
Equipment and other assets		60,298	3,537	50	63,885
Total depreciable assets		569,067	23,091	66,030	658,188
Total capital assets		663,918	41,984	—	705,902
Accumulated depreciation:					
Land improvements		(129)	(9)	—	(138)
Buildings		(88,987)	(8,397)	—	(97,384)
Building improvements		(12,803)	(1,820)	—	(14,623)
Infrastructure		(4,645)	(1,282)	—	(5,927)
Equipment and other assets		(37,186)	(4,661)	—	(41,847)
Total accumulated depreciation		(143,750)	(16,169)	—	(159,919)
Capital assets, net	$	520,168	25,815	—	545,983

As of June 30, 2011 and 2010, the College's bond obligations were collateralized by buildings and equipment with book values of $445,136 and $428,948, respectively. During fiscal years 2011 and 2010, interest income on bond construction funds for Series 2008 D, 2010 A and 2010 B bonds was $157 and $270, respectively. Interest expense on these same bond funds was $3,023 for 2011 and $1,927 for 2010. Net interest costs of $2,866 and $1,657, for fiscal years 2011 and 2010, respectively, were capitalized and included in construction in progress.

(continued)

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, 2011 and 2010, deposits with bond trustees include the following:

Deposits Held with Bond Trustees		2011	2010
Construction funds	$	28,923	44,667
Capitalized interest		345	2,342
Debt service (principal and interest)		13,547	13,783
Total	$	42,815	60,792

The College’s investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty or the counterparty’s trust department or agent but not in the College’s name. As of June 30, 2011 and 2010, 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, 2011 and 2010:

Deposits Held with Bond Trustees			2011		
			Investment maturities (in years)		
Investment type		Fair value	Less than 1	1 to 2	More than 2
Money market funds	$	13,602	13,602	—	—
U.S. Treasury notes and government securities		29,213	29,213	—	—
Total	$	42,815	42,815	—	—

Notes to the Financial Statements (dollar amounts in thousands)

Deposits Held with Bond Trustees					
			2010		
			Investment maturities (in years)		
Investment type		Fair value	Less than 1	1 to 2	More than 2
Money market funds	$	13,981	13,981	—	—
U.S. Treasury notes and government securities		46,811	38,067	8,744	—
Total	$	60,792	52,048	8,744	—

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2011 and 2010:

Accounts Payable and Accrued Expenses			
		2011	2010
Bond principal and interest	$	13,547	13,310
Vendors		4,898	6,607
Accrued salaries and benefits		2,360	3,199
Accrued expense – construction		3,606	1,059
Total	$	24,411	24,175

(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, 2011 and 2010:

Bonds Payable and Other Long-Term Obligations		2011	2010
Bonds payable:			
New Jersey Educational Facilities Authority:			
2002 Series C (interest 4.00% to 5.38%, maturing on July 1, 2019)	$	33,070	36,120
2008 Series D (interest 4.00% to 5.00%, due serially starting on July 1, 2010 to July 1, 2028)		158,335	159,335
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)		3,410	3,410
2010 Series B (interest 4.878% to 7.395%, maturing on July 1, 2016 through July 1, 2040)		41,090	41,090
Subtotal bonds payable		363,360	367,410
Add/subtract:			
Bond premium		9,855	10,518
Bond discount		(125)	(142)
Total bonds payable	$	373,090	377,786
Other long-term obligations:			
Dormitory Safety Trust Fund (interest 5%, maturing on January 15, 2018)	$	649	767
Equipment Leasing Series 2003A (interest 2.00% to 5.00%, maturing on August 1, 2011)		110	217
Higher Education Capital Improvement Fund (interest 4.52% to 5.25% maturing on August 15, 2022)		7,140	7,441
Total other long-term obligations	$	7,899	8,425

Notes to the Financial Statements (dollar amounts in thousands)

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, 2011:

Principal and Interest Repayments		Bond principal	Other long-term obligations principal	Bond interest	Other long-term obligations interest
Year ending June 30:					
2012	$	5,070	543	18,833	353
2013		5,310	449	18,635	337
2014		8,975	466	18,422	320
2015		9,635	483	17,992	302
2016		10,290	502	17,528	283
2017–2021		62,670	2,310	79,202	1,082
2022–2026		76,395	3,146	61,676	145
2027–2031		86,570	—	41,025	—
2032–2036		88,345	—	16,079	—
2037–2040		10,100	—	1,910	—
	$	363,360	7,899	291,302	2,822

Notes to the Financial Statements (dollar amounts in thousands)

Noncurrent liabilities activity for the years ended June 30, 2011 and 2010 is as follows:

Noncurrent Liabilities Activity

2011		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	3,455	18	(184)	3,289	3,074
Natural gas forward contracts		3,580	—	(935)	2,645	2,645
U.S. and Government grants refundable		4,404	10	—	4,414	—
Bonds payable, net		377,786	—	(4,696)	373,090	5,714
Other long-term obligations		8,425	—	(526)	7,899	543
Total noncurrent liabilities	$	397,650	28	(6,341)	391,337	11,976

2010		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	2,786	669	—	3,455	3,217
Natural gas forward contracts		4,329	—	(749)	3,580	2,092
U.S. and Government grants refundable		4,404	—	—	4,404	—
Bonds payable, net		337,639	44,500	(4,353)	377,786	4,696
Other long-term obligations		8,931	—	(506)	8,425	526
Total noncurrent liabilities	$	358,089	45,169	(5,608)	397,650	10,531

The terms of the 2002 Series C agreement require annual rental payments equal to at least one hundred five percent (105%) of the principal and interest due in any bond year. The debt service reserve fund requirement has been funded by a Surety Bond by Financial Guaranty Insurance Company. In addition, the terms provide for the funding of a project renewal and replacement fund and certain other costs incurred in the administration of the agreement.

In fiscal year 2010, the Authority issued Series 2010 A and B Bonds to finance the construction of a new state-of-the-art school of education building. The issue was comprised of tax-exempt and taxable Build America Bonds (BABS). The Build America Bonds are part of the American Recovery and Reinvestment Act of 2009. The 2010 Series A tax-exempt serial bonds totaling $3,410 carry coupon rates ranging from 3.0% to 4.0% and mature serially on July 1, 2012 through July 1, 2015. The Build America Bonds serial portion totaling $6,190 carry coupon rates ranging from 4.878% to 6.121% and mature through July 1, 2021. The rest of the Build America Bonds totaling $34,900 are term bonds with coupon rates ranging from 7.225% to 7.395% and mature through July 1, 2040. The College receives a cash subsidy from the United States Treasury equal to 35% of the interest payable on the BABS on each interest payment date.

The bonds were issued with a premium of $139 and the College incurred $626 in bond issue cost which is being amortized over the life of the issue.

(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, $25,332 and $23,783 in 2011 and 2010, 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), AIG VALIC, AXA Financial (Equitable), Met Life, The Hartford and ING Life Insurance and Annuity Company. A separate board of trustees administers ABP alternatives.

(continued)

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, single-employer defined benefit pension plan. 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.

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. The College's contributions to the plans (amounts made by the State) for the years ended June 30, 2011 and 2010 were $2,091 and $2,039, respectively, for PERS, TPAF, and PFRS, which are equal to the required contributions.

(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.

Notes to the Financial Statements (dollar amounts in thousands)

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, 2011 and 2010, ABP investment carriers received employer and employee contributions as follows:

ABP Employer and Employee Contributions		2011	2010
Employer contributions	$	4,160	3,908
Employee contributions		5,715	4,897
Participating employees' salaries		52,005	48,850

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 year 2011. The employer contributions made during fiscal year 2011 were $41.

(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.

Notes to the Financial Statements (dollar amounts in thousands)

(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 $215 and $238 as of June 30, 2011 and 2010, 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 $2,570 and $2,552 as of June 30, 2011 and 2010, 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, 2011 and June 30, 2010 liabilities of $504 and $665 respectively were included in compensated absences in the accompanying financial statements.

(13) Unrestricted Net Assets

As discussed in note 2, net assets are required to be classified for accounting and reporting purposes into one of four net asset categories according to externally imposed restrictions. Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations, however, they may be subject to internal designations. For example, unrestricted net assets may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net assets of the College as of June 30, 2011 and 2010 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 Assets

		2011	2010
Capital reserves - educational and general	$	51,763	50,545
Capital reserves - auxiliary		51,941	50,719
Strategic operating reserves		10,366	9,849
Debt service		9,497	9,465
Total	$	123,567	120,578

(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, 2011 and 2010, the College expended $265 and $313, respectively, for government and public relations, and $234 and $188, respectively, for legal fees.

(16) Cash Flow Hedge – Commodity Futures Contracts

The College has elected to fix long-term natural gas commodity prices through a hedge mechanism with a natural gas third-party broker. The purpose is to create price and budget certainty and to protect against price increases as the natural gas is physically supplied by the gas supplier on a rate schedule under which prices fluctuate monthly with the natural gas market. If natural gas prices increase after the contracts have been executed, the College must pay the actual cost to the gas supplier. These additional costs will be offset by an identical increase in future payments received from the third-party broker.

As of June 30, 2011 there were 55 contracts hedged which represent 550,000 million British thermal units (MMBTUs) with individual fair values ranging from ($75) to ($307). The 55 contracts had an aggregate negative fair value of $2,645 as of June 30, 2011. Under the terms of the commodity futures contracts, the College agrees to pay $9.323 average fixed price per MMBTU for fiscal year 2012, and agrees to receive variable payments based on the New York Mercantile Exchange (NYMEX) price for natural gas at specific dates in fiscal year 2012. These contracts are considered hedging derivatives, and the aggregate change in fair value is reported as a deferred outflow in the statement of net assets.

As of June 30, 2010 there were 117 contracts hedged which represent 1,170,000 million British thermal units (MMBTUs) with individual fair values ranging from ($55) to ($228). The 117 contracts had an aggregate negative fair value of $3,580 as of June 30, 2010. Under the terms of the commodity futures contracts, the College agrees to pay the following average fixed prices of $8.529 and $9.323 per MMBTU for fiscal years 2011 and 2012, respectively, and agrees to receive variable payments based on the New York Mercantile Exchange (NYMEX) price for natural gas at specific dates in fiscal years 2011 and 2012.

As of June 30, 2011 and 2010 the College was not exposed to credit risk because the contracts had a negative fair value.

(17) 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. Because these resources held by the Foundation can only be used by, or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Notes to the Financial Statements (dollar amounts in thousands)

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, 2011 and 2010:

Foundation Investments

		2011	2010
Equities	$	12,657	9,028
Mutual funds		4,815	3,190
U.S. Treasury bills and notes and Government agencies		2,538	3,421
Corporate bonds		542	566
Cash and cash equivalents		1,774	1,195
Alternative investment		1,251	1,144
Total	$	23,577	18,544

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, 2011, 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 2011

Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$	2,547	1,204	1,334	9
Aa1		10	—	—	10
Aa2		79	—	—	79
Aa3		100	—	—	100
A1		82	—	—	82
A2		51	—	—	51
A3		37	—	—	37
Baa1		89	—	—	89
Baa2		68	—	—	68
Baa3		11	—	—	11
Ba2		6	—	—	6
Total	$	3,080	1,204	1,334	542

Notes to the Financial Statements (dollar amounts in thousands)

As of June 30, 2010, 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 2010

Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$	3,472	1,853	1,568	51
Aa1		19	—	—	19
Aa2		9	—	—	9
Aa3		57	—	—	57
A1		92	—	—	92
A2		62	—	—	62
A3		79	—	—	79
Baa1		91	—	—	91
Baa2		100	—	—	100
B3		6	—	—	6
Total	$	3,987	1,853	1,568	566

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, 2011, 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 2011

Maturing in years		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	$	548	427	22	99
1 – 5		815	439	135	241
6 – 10		368	212	—	156
Greater than 10		1,349	126	1,177	46
Total	$	3,080	1,204	1,334	542

Notes to the Financial Statements (dollar amounts in thousands)

As of June 30, 2010, 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 2010					
Maturing in years		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	$	311	265	—	46
1 – 5		1,875	1,265	347	263
6 – 10		432	242	—	190
Greater than 10		1,369	81	1,221	67
Total	$	3,987	1,853	1,568	566

(18) Functional Classification of Natural Expenses and Allocation of Operation and Maintenance of Plant, Depreciation and Interest Expense

In an effort to make financial data between public and independent institutions more comparable, the Integrated Postsecondary Education Data System (IPEDS) requires that public institutions allocate operation and maintenance of plant, depreciation and interest expense to the remaining functional expense categories.

The allocation for the years ended June 30, 2011 and 2010 is as follows:

Functional Classification of Natural Expenses 2011								
					Allocation			
		Salary and fringe	Supplies, materials, services and other	Total operating expenses	Operation and maintenance of plant	Depreciation	Interest expense (nonoperating)	Total
Instruction	$	48,950	4,447	53,397	12,751	7,567	6,706	80,421
Research		8,741	201	8,942	2,277	1,351	1,197	13,767
Academic support		9,329	2,845	12,174	2,430	1,442	1,278	17,324
Student services		11,067	1,941	13,008	2,883	1,711	1,516	19,118
Scholarships and fellowships		—	865	865	—	—	—	865
Direct Student Support		78,087	10,299	88,386	20,341	12,071	10,697	131,495
Public service		3,396	2,189	5,585	885	525	465	7,460
Operation and maintenance of plant		14,569	7,237	21,806	(26,054)	2,252	1,996	—
Institutional Support		9,245	1,599	10,844	2,408	1,429	1,267	15,948
Auxiliary activities		9,288	19,973	29,261	2,420	1,436	1,272	34,389
Depreciation		—	17,713	17,713	—	(17,713)	—	—
Total	$	114,585	59,010	173,595	—	—	15,697	189,292

Notes to the Financial Statements (dollar amounts in thousands)

Functional Classification of Natural Expenses 2010									
					Allocation				
		Salary and fringe	Supplies, materials, services and other	Total operating expenses	Operation and maintenance of plant	Depreciation	Interest expense (nonoperating)	Total
Instruction	$	47,634	5,001	52,635	12,648	7,025	6,667	78,975
Research		7,868	445	8,313	2,089	1,161	1,101	12,664
Academic support		9,136	3,443	12,579	2,426	1,348	1,279	17,632
Student services		10,517	2,137	12,654	2,793	1,551	1,472	18,470
Scholarships and fellowships		—	790	790	—	—	—	790
Direct Student Support		75,155	11,816	86,971	19,956	11,085	10,519	128,531
Public service		2,690	1,801	4,491	714	397	376	5,978
Operation and maintenance of plant		14,014	7,345	21,359	(25,387)	2,067	1,961	—
Institutional Support		9,557	1,034	10,591	2,538	1,410	1,338	15,877
Auxiliary activities		8,206	17,742	25,948	2,179	1,210	1,148	30,485
Depreciation		—	16,169	16,169	—	(16,169)	—	—
Total	$	109,622	55,907	165,529	—	—	15,342	180,871

(19) 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 $100,000 per occurrence with a per occurrence limit of $1,000,000,000. Money and securities coverage provides for the actual loss in excess of $25,000 with a per loss limit of $5,000,000. 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 $2,000,000 per claim and a $5,000,000 aggregate. The second is a museum collection and temporary loans policy with a $450,000 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
Year ended June 30, 2011

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	$	12,000
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grants	84.007		234,168
Federal Direct Loan Program	84.268		28,039,636
Federal Work-Study Program	84.033		152,754
Federal Perkins Loan Program (including administrative cost allowance of $20,501)	84.038		434,444
Federal Pell Grant Program	84.063		4,677,654
Academic Competitiveness Grant	84.375		18,950
National Science and Mathematics Access to Retain Talent Grant	84.376		4,000
Teacher Education Assistance for College and Higher Education Grants	84.379		84,000
Total Student Financial Assistance Cluster			33,657,606
Research and Development Cluster:			
U.S. Department of Health and Human Services:			
Passed through New Jersey Department of Corrections:			
Promoting Responsible Fatherhood	93.086		58,587
U.S. Environmental Protection Agency:			
Passed through New Jersey Institute of Technology:			
Protection of Critical Source Areas for Achieving Long-Term Sustainability of Drinking Water	66.509		1,500
National Science Foundation:			
Passed through Brigham Young University:			
Center for Mentoring Undergraduate Research in Mathematics (CURM)	47.049		5,000
Passed through Villanova University:			
Collaborative Research	47.070		2,761
Collaborative Research: Bringing Seismology's Grand Challenges to the Undergraduate Classroom	47.076		47,335
RUI - Orientational Relaxation for Chromophore Order	47.049		15,954
Collaborative Research: Deep Structure Controls on Magmatic Output of Klyuchevoskoy Volcanic Group, Kamchatka	47.050		11,341
Giving the Maestro a Human Heart	47.070		110,563
ARRA - Faculty/Student Collaboration in Environmental & Model Organism Biology, Recovery Act	47.082		700
Total Research and Development Cluster			253,741
National Science Foundation:			
Broadening Participation in Computing via Community Journalism for Middle Schoolers	47.070		223,988
Association for Women in Mathematics:			
Sonia Kovalevsky High School and Middle School Mathematics Day	47.049		980
Education and Human Resources:			
Education and Human Resources	47.076		3,586
Program to Enhance Retention of Student in Science Trajectories in Biology and Chemistry	47.076		14,236
PAID: ADVANCE Female Faculty Through Career Development	47.076		217,667
Total Education and Human Resources			235,489
U.S. Department of Justice:			
Passed through New Jersey Division of Alcoholic Beverage Control:			
Lollanobooza	16.727		5,000
Passed through Department of Corrections:			
Second Chance Act Reentry Demonstration Project	16.812		47,284

Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA/grant number		Current year expenditures
U.S. Department of Education:			
Special Education, Technical Assistance and Dissemination to Improve Services and Results For Children With Disabilities	84.326	$	246,982
Passed through New Jersey Department of Education:			
Career and Technical Education - Basic Grants to States			
Enhancing Teaching and Student Leadership	84.048		91,091
CTE Enhancing Teaching and Student Leadership in the Career Cluster of Science, Technology, Engineering and Mathematics	84.048		128,185
Total Career and Technical Education - Basic Grants to States			219,276
Special Education Cluster:			
Individuals with Disabilities Education Act, Enhancing Knowledge and Skills	84.027		34,600
Enhancing and Extending the Current Career and Community Studies Program	84.407		91,884
Expand International Business Education at TCNJ to China	84.153		34,867
NJHE Consortium to Prevent and Reduce Alcohol Abuse	84.184		33,075
Passed through New Jersey Commission on Higher Education:			
College Access Challenge Grant Program	84.378		30,030
Undergraduate International Studies and Foreign Language Programs	84.016		10,179
U.S. Department of Transportation:			
Passed through New Jersey Division of Highway Traffic Safety:			
Highway Safety Cluster:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		31,555
Peer Institute and Harm Reduction	20.601		63,454
Total Highway Safety Cluster			95,009
National Aeronautic and Space Administration:			
Fertilizing ROSES through STEM: (IMPRESS-Ed)	43.008		22,500
Passed through Space Science Institute:			
Understanding Blazar Variability through Kepler	43.001		4,300
Federal Emergency Management Agency:			
Passed through New Jersey State Police:			
Robert T. Stafford Disaster Relief and Emergency Assistance Act	97.036		33,382
U.S. Environmental Protection Agency:			
Passed through Cherry Hill Township:			
EPA Climate Showcase Communities	66.041		80,525
Passed through University of Maryland:			
EPA-Sustainable Approach to Meeting Environmental Protection and Public Health Needs	66.203		3,997
National Endowment for the Humanities:			
TCNJ Library Archival Collection Preservation Needs Assessment	45.149		6,000
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		212,986
New Jersey Economic Opportunity Authority	59.037		16,498
Total U.S. Small Business Administration			229,484
Corporation for National and Community Service:			
Passed through Middlesex County College:			
Serve 2.0 Initiative to Integrate Social Media Tools	95.005		471
Volunteers in Service to America (VISTA)	94.013		6,693
AmeriCorps:			
AmeriCorps National Education Awards Program	94.006		204,492
ARRA AmeriCorps National Education Awards Program, Recovery Act	94.006		8,132
AmeriCorps Education Works	94.006		6,251
Passed through New Jersey Department of State:			
AmeriCorps Economic Opportunity Program	94.006		45,234
AmeriCorps Bonner Leaders Program	94.006		307,526
Total AmeriCorps			571,635
Total expenditures of Federal awards		$	36,178,977

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

Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2011

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	$	445,287	07/01/10 - 06/30/11	$	445,287
Educational Opportunity Fund Grant - Article III - Summer School	100-074-2401-001-KKKK-6140		237,405	07/01/10 - 06/30/11		237,405
Higher Education Student Assistance Authority:						
Edward J. Bloustein Distinguished Scholars Award	100-074-DS10-278-KKKK-6150		664,020	07/01/10 - 06/30/11		664,020
New Jersey College Loans to Assist State Students (CLASS)	—		11,462,755	07/01/10 - 06/30/11		11,462,755
Tuition Aid Grant	100-074-2405-007-KKKK-6150		4,999,876	07/01/10 - 06/30/11		4,999,876
Urban Scholars Award	100-074-US11-278-KKKK-6150		82,305	07/01/10 - 06/30/11		82,305
NJ Student Tuition Assistance Reward Scholarship II	—		451,170	07/01/10 - 06/30/11		451,170
Total Student Financial Assistance Cluster						18,342,818
New Jersey Department of Human Services:						
Mercer County - Clinic for the Provision of Specialized Family Therapy	Resolution # 2009-372		212,932	07/01/09 - 06/30/11		85,000
Work Skill Preparation	MOU		247,561	06/16/11 - 06/30/12		4,285
New Jersey Department of Education:						
Career and Technical Education Partnership	11-100-034-5062-032-H200		140,000	09/01/10 - 8/31/11		79,118
Passed through Trenton Board of Education:						
Community Partnership with Trenton Central High School	20-480-200-300-0000-11-05		30,000	10/01/10 - 06/30/11		26,004
New Jersey Commission on Higher Education:						
Adaptive Technology Center for New Jersey Colleges	10YR1-801180-0076		200,000	07/01/09 - 08/31/10		12,481
Educational Opportunity Fund Program - Article IV	—		349,040	06/01/09 - 07/31/10		37,062
Educational Opportunity Fund Program - Article IV	—		345,953	06/01/10 - 07/31/11		305,583
New Jersey Department of Transportation:						
Mobility & Community Form: Linking Transportation & Land Use	TCNJ2004 - Task Order 6		2,423,804	11/15/07 - 09/30/12		519,023
Innovative and Effective Techniques for Locating Underground Conduits	TCNJ2004 - Task Order 7		150,852	01/01/10 - 12/31/10		122,562
Passed through Rutgers, The State University of New Jersey:						
Traffic Control and Work Zone Safety for High Volume Roads	2004R002		18,000	01/01/10 - 12/31/10		17,677
New Jersey Board of Public Utilities:						
Office of Clean Energy Program: Sustainable New Jersey	71D-082-2014-001-6130		870,000	07/01/10 - 12/31/10		265,232
Passed through Rutgers, The State University of New Jersey:						
Sustainable Jersey Energy	No. 023413-001-001		155,800	07/01/09 - 07/31/10		523

Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2011

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	$ 237,273	05/19/10 - 04/30/11	$ 228,546
Support Service Providers - New Jersey (SSP-NJ)	MOU	179,108	03/31/10 - 12/31/10	127,499
Professional Services to Students with Deaf blindness and CBVI Staff	MOU	94,653	09/01/10 - 06/30/11	55,515
New Jersey Office of Homeland Security and Preparedness:				
Live Scan / Mugshot Photo Workstation	—	25,831	07/15/10 - 06/30/11	25,831
New Jersey Department of Children and Families / Division of Youth and Family Services:				
TCNJ Clinic Parent / Child	11WELC	6,411	08/01/10 - 07/30/11	5,761
New Jersey Department of Law and Public Safety / Office of the Attorney General:				
OAG Campus Community Project	MOU	20,000	04/01/11 - 12/31/11	1,193
New Jersey Department of State:				
State Appropriation to State Colleges and Universities	XX-100-074-24XX-XXX	30,480,000	07/01/10 - 06/30/11	30,480,000
New Jersey State Council of the Arts:				
Mercer County Cultural and Heritage Commission:				
Local Arts program grant	CY2010	3,150	01/01/10 - 12/31/10	3,150
Interdepartmental Accounts:				
State Fringe Benefits Other Than FICA	XX-100-094-9410-XXX	5,765,331	07/01/10 - 06/30/11	5,765,331
FICA - State Colleges and Universities Reimbursement Program	XX-100-094-9410-137	19,566,541	07/01/10 - 06/30/11	19,566,541
Total expenditures of State of New Jersey awards				$ 76,076,735

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 2011 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, 2011 was $4,193,997 and $108,881 respectively.

Year ended June 30, 2011

		Federal Perkins Loan Program	Nursing Student Loan Program
Beginning balance	$	4,342,687	104,929
New loans issued		413,943	12,000
Payments		(537,054)	(10,648)
Adjustments		(188)	2,600
Cancellations		(25,391)	—
Ending balance	$	4,193,997	108,881

(3) Other Loan Programs

The College is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loans program, 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, 2011.

(4) Subrecipients

Of the Federal expenditures presented in the schedule of expenditures of Federal awards, the College provided $291,517 in Federal awards under the AmeriCorps program, CFDA number 94.006 to subrecipients during the year ended June 30, 2011.

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Princeton, NJ 08540-6227

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 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, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 21, 2011. We conducted our audit 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. 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

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

This report is intended solely for the information and use of management, board of trustees, others within the entity, and Federal and State of New Jersey awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 21, 2011

KPMG LLP
Suite 402
301 Carnegie Center
Princeton, NJ 08540-6227

Independent Auditors' Report

on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With Federal OMB Circular A-133 and New Jersey OMB Circular 04-04

The Board of Trustees
The College of New Jersey:

Compliance

We have audited The College of New Jersey's (the College) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2011, except the requirements discussed in the second paragraph of this report. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal and State of New Jersey programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We did not audit the College's compliance with the requirements governing maintaining contact with borrowers and billing and collection procedures in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Federal OMB Compliance Supplement. Those requirements govern functions performed by Educational Computer Systems, Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ECSI's compliance with the requirements governing the functions that it performs for the College for the year ended June 30, 2011 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ECSI's compliance with such requirements.

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; Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and New Jersey OMB Circular 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 described in the Compliance Supplements 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. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, The College of New Jersey complied, in all material respects, with the compliance requirements referred to in the first paragraph 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, 2011.

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal and State of New Jersey programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major Federal or State of New Jersey program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Requirements governing maintaining contact with borrowers and billing and collection procedures in the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the Federal OMB Compliance Supplement are performed by ECSI. Internal control over compliance related to such functions for the year ended June 30, 2011 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of ECSI's internal control over compliance related to such functions.

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of trustees, others within the entity, Federal and State of New Jersey awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 28, 2012

(1) Summary of Auditor's Results

(a) Unqualified 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, 2011, which collectively comprise the College's basic financial statements.

(b) Significant deficiencies in internal control disclosed by the audit of the financial statements of the College as of and for the year ended June 30, 2011: **none reported** Material weaknesses: **no**

(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, 2011.

(d) Significant deficiencies in internal control over the major Federal or State of New Jersey programs of the College for the year ended June 30, 2011: **none reported** Material weaknesses: **no**

(e) An unqualified opinion was issued on the College's compliance with its major Federal and State of New Jersey programs for the year ended June 30, 2011.

(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, 2011.

(g) The major Federal and State of New Jersey programs of the College for the year ended June 30, 2011 were as follows:

Federal

- Student Financial Assistance Cluster (CFDA #93.364, 84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, and 84.379)
- AmeriCorps (including ARRA) (CFDA #94.006)

State of New Jersey

- Student Financial Assistance Cluster
- State Fringe Benefits Other Than FICA
- FICA – State Colleges and Universities Reimbursement Program

(h) The dollar threshold used to distinguish between type A and type B programs was $300,000 for Federal awards and $1,367,902 for State of New Jersey awards for the year ended June 30, 2011.

(i) The College qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2011.

(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 or State of New Jersey Awards

No findings required to be reported.