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, 2012

(With Independent Auditors’ Reports Thereon)

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

Independent Auditors' Report

on Basic Financial Statements

The Board of Trustees
The College of New Jersey:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, 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 23, 2012 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

October 23, 2012

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, 2012 and 2011 with fiscal year 2010 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 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; Humanities and Social Science; Science; Nursing, Health, and Exercise Science; and Engineering. The College is enriched by an honors program and extensive opportunities to study abroad, 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 2011, TCNJ enrolled 6,402 full-time equivalent undergraduate students and 377 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.

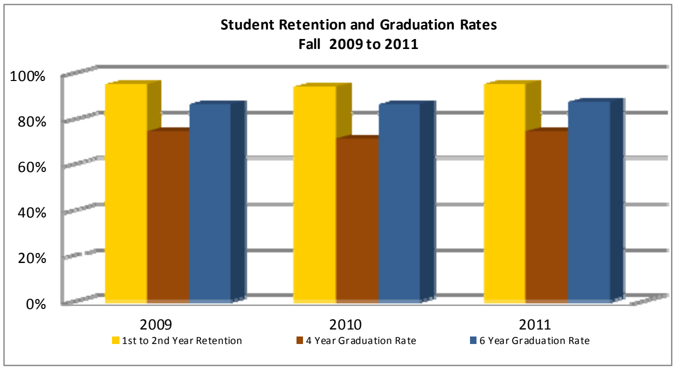
Academic Profile

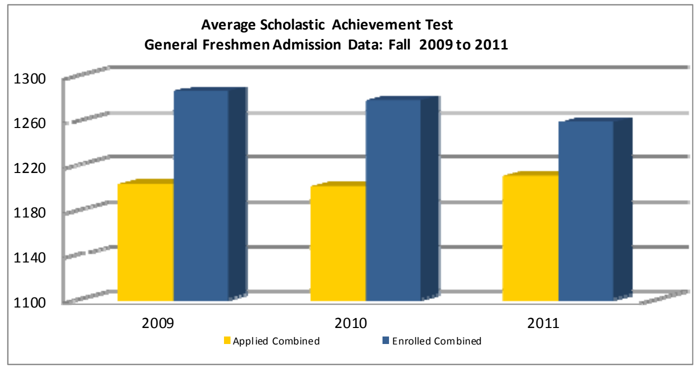
Faculty

In fall 2011, the College's overall full-time equivalent (FTE) faculty count was 483. Approximately 73% of the total faculty FTE was full-time (351) and the remaining 27% (132) 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 6,779 and the student to faculty ratio was 13:1. Seventy one percent of the full-time faculty is tenured and 87% 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 2011 full-time freshmen class enrolled 1,371 students yielding a 29% matriculation ratio based upon a 46% acceptance ratio for 10,150 applicants. For fall 2011, the average Scholastic Aptitude Test (SAT) for the general applied group was a combined 1210 with an enrolled combined of 1258. The 95% 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 74% and 87% respectively. Currently, 90% of the freshmen class and 60% of all undergraduate students live on campus.





The 2011–2012 academic year concluded with the awarding of 1513 bachelor's degrees, 405 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 $40.4 million and $40.7 million for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, scholarship allowance totaled $25.8 million and $24.6 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $17.6 million and $17.7 million for the years ended June 30, 2012 and 2011, 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 2012 and 2011, 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, 2012, 2011, and 2010 are as follows:

Condensed Statement of Net Assets (Amounts in thousands)				
		2012	2011	2010
Assets:				
Current assets	$	97,011	103,123	109,631
Capital assets, net		582,627	564,959	545,983
Other noncurrent assets		75,696	88,791	96,343
Total assets		755,334	756,873	751,957
Deferred Outflow		—	2,645	3,580
Liabilities:				
Current liabilities		29,182	39,116	36,417
Noncurrent liabilities		375,495	379,361	387,119
Total liabilities		404,677	418,477	423,536
Net assets:				
Invested in capital assets, net of related debt		224,346	212,893	204,440
Restricted expendable		1,895	4,581	6,983
Unrestricted		124,416	123,567	120,578
Total net assets	$	350,657	341,041	332,001

Statement of Net Assets Financial Highlights

Assets

During fiscal year 2012, the College's total assets decreased by $1.5 million or 0.2% but increased by $4.9 million or 1.0% for fiscal year 2011. At June 30, 2012, the College's working capital, which is current assets less current liabilities, was $67.8 million, an increase of $3.8 million from the previous year. The largest driver of this increase was the reduction of accounts payable.

The working capital is a key financial metric used to measure the College's liquidity for operations. It measures the institution's ability to satisfy its current obligations as they come due. With current assets at 3.3 and 2.6 times above current liabilities in fiscal years 2012 and 2011 respectively, the College had adequate liquidity to satisfy its current obligations.

Cash and Investments

In fiscal year 2012, cash and cash equivalents decreased by $2.1 million, or 3.5%, primarily due to cash disbursements for operations including debt service payments. This decrease was offset by cash receipts from operations plus reimbursements from deposits held by bond trustees for capital expenses paid in the previous year.

At June 30, 2012, investments totaled $36.6 million, representing an increase of $0.5 million which was due to the positive performance of the investment portfolio.

Cash and Cash Equivalents and Investments
(Amounts in thousands)

		2012	2011	2010
Cash and cash equivalents	$	58,802	60,915	77,597
Investments - short term		14,623	15,631	4,293
Investments - long term		21,979	20,517	9,996
Total cash and cash equivalents and investments	$	95,404	97,063	91,886

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.

Deposits Held With Bond Trustees

During fiscal years 2012 and 2011, deposits held with bond trustees decreased by $16.2 million, or 37.8%, and $18.0 million or 29.6%, respectively. These decreases were primarily due to reimbursements from construction funds for debt financed capital expenditures. This was offset by interest earnings on these deposits.

Deferred Financing Costs

During fiscal years 2012 and 2011, deferred financing costs decreased by $1.5 million and $2.0 million, respectively due to the amortization of bond issue costs. The 2012 decrease was offset by $0.3 million in additional financing costs incurred with the refinancing of Series 2002 C bond issue. These deferred costs are being amortized over the remaining life of the bonds.

Capital Assets

At June 30, 2012, the College had $582.6 million invested in capital assets, net of accumulated depreciation of $195.2 million. Depreciation charges totaled $17.6 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, 2012, 2011, and 2010:

Capital Additions
(Amounts in thousands)

		2012	2011	2010
Additions (transfers):				
Buildings and building improvements	$	9,867	3,411	83,598
Land		459	532	—
Works of Art/ Historical Treasure		392	—	—
Infrastructure		1,064	2,923	1,936
Equipment and other assets		4,268	2,689	3,587
Construction in progress		19,212	27,134	(47,137)
Net total additions	$	35,262	36,689	41,984

Liabilities

Current Liabilities

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

For fiscal year 2011, current liabilities increased by $2.7 million, or 7.4%, 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.

Noncurrent Liabilities

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

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.

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, 2012, the College had $374.5 million in outstanding bonds and other long-term obligations, compared to $381.0 million at June 30, 2011. 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 additional debt was issued during fiscal year 2012, however, with interest rates at an all-time low, the College refinanced 2002 Series C bonds effective July 1, 2012 and realized present value debt service savings of $3.65 million.

Additional information about the College's existing long-term liabilities is presented in note 9 to the financial statements. At June 30, 2012, 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 2012 and 2011, net assets increased by $9.6 million, or 2.8%, and $9.0 million, or 2.7%, respectively. In both fiscal years, the increases were directly related to the College's positive operating surplus.

At June 30, 2012 and 2011, 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. For fiscal years 2012 and 2011, this category had net increases of $11.5 million and $8.5 million, respectively, over the previous fiscal year. These changes were driven by investment in capital assets funded by debt issuance and capital reserves.
- Restricted Expendable Net Assets are resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During fiscal years 2012 and 2011, this category decreased by $2.7 million and $2.4 million, respectively, primarily due to repayment of principal on outstanding 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. For fiscal years 2012 and 2011, this category increased by $0.8 million and $3.0 million, respectively 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, 2012, 2011, and 2010 is as follows:

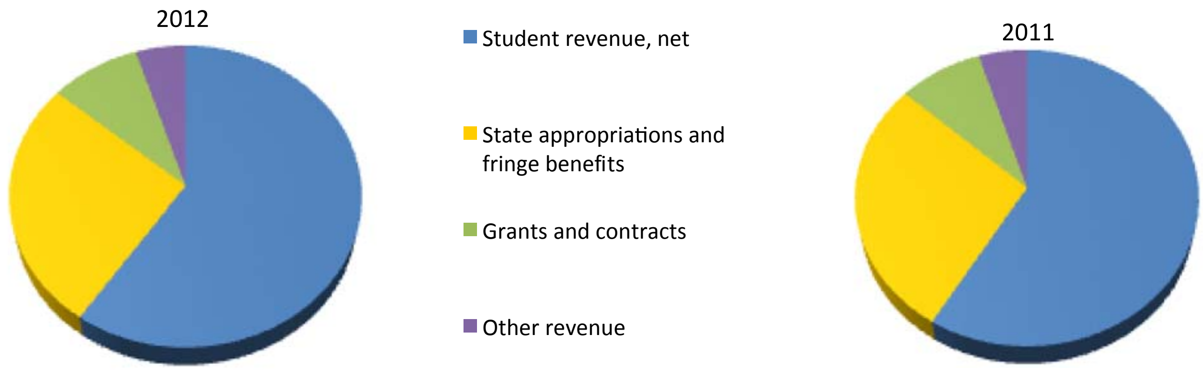
Condensed Statement of Revenues, Expenses and Changes in Net Assets (Amounts in thousands)

		2012	2011	2010
Net student revenues	$	121,876	117,193	105,375
Government grants and contracts		18,195	16,958	17,568
Auxiliary activities		4,450	4,220	4,197
Other		3,433	3,523	6,126
Operating revenues		147,954	141,894	133,266
Instruction and research		64,375	62,339	60,948
Auxiliary activities		28,692	29,261	25,948
Institutional support		11,289	10,844	10,591
Operation and maintenance of plant		22,508	21,806	21,359
Student services		14,488	13,008	12,654
Academic support		13,351	12,174	12,579
Depreciation		17,594	17,713	16,169
Other		6,484	6,450	5,281
Operating expenses		178,781	173,595	165,529
Operating loss		(30,827)	(31,701)	(32,263)
NJ State and government appropriations		54,408	55,812	56,234
Other expenses, net		(13,965)	(15,071)	(16,608)
Net nonoperating revenues		40,443	40,741	39,626
Increase in net assets		9,616	9,040	7,363
Net assets, beginning of year		341,041	332,001	324,638
Net assets, end of year	$	350,657	341,041	332,001

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, 2012 and 2011 (amounts in thousands):



	2012			2011		
	Amount		Percent	Amount		Percent
	(Amounts in thousands)					
Student revenue, net	$	121,876	59.6%	$	117,193	58.7%
State appropriations and fringe benefits		54,408	26.6%		55,812	28.0%
Grants and contracts		18,195	8.9%		16,958	8.5%
Other revenue		10,022	4.9%		9,697	4.8%
	$	204,501	100.0%	$	199,660	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 $6.1 million or 4.3% in fiscal year 2012, and by $8.5 million or 6.5% in fiscal year 2011.

Tuition and Fees

Tuition and fees revenues increased $5.2 million, or 5.3%, and $6.0 million, or 6.4%, in fiscal years 2012 and 2011, respectively. These increases were attributed to a strategic growth in enrollment coupled with tuition increases of 4.5% and 4.0% in fiscal years 2012 and 2011, respectively.

Student Housing and Fees

Student housing and fees revenues increased $0.7 million, or 1.6%, and $5.4 million, or 14.5%, in fiscal years 2012 and 2011, respectively. The fiscal year 2012 and 2011, increase can be attributed to the room and board increase of approximately 3.1% and 4.0%, respectively. In fiscal year 2011, the larger increase was the result of additional room occupancy due to the completion of a renovated residence hall.

Scholarship Allowance

Scholarship allowance increased by $1.2 million, or 4.9% in fiscal year 2012 and decreased $0.5 million, or 2.0% in fiscal year 2011. The fiscal year 2012 increase is primarily due to a greater amount of College funded scholarships being awarded to address the increased demand for financial aid. 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.

Scholarship Allowance
(Amounts in thousands)

		2012	2011	2010
State scholarships	$	6,724	6,758	7,875
Federal scholarships		5,359	5,152	4,705
College scholarships		13,747	12,703	12,522
Total scholarships	$	25,830	24,613	25,102

Auxiliary Activities

Auxiliary activities, which are self-supporting activities, accounted for approximately 3.0% of the total operating revenues in both fiscal years 2012 and 2011. 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 2012, federal grants and contracts had a net increase of $0.7 million, or 8.7%, primarily due to an increase in federal grant activities.

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.

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 26.6% and 28.0% of the total College revenues in fiscal years 2012 and 2011, 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 2012, the gross state support to the College decreased by $1.4 million, or 2.5%, due to a $1.2 million reduction to the base appropriation plus a $0.2 million decrease in fringe benefits funded by the State.

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.

The breakdown of the state appropriations at June 30, 2012, 2011, and 2010 is as follows:

State Appropriations
(Amounts in thousands)

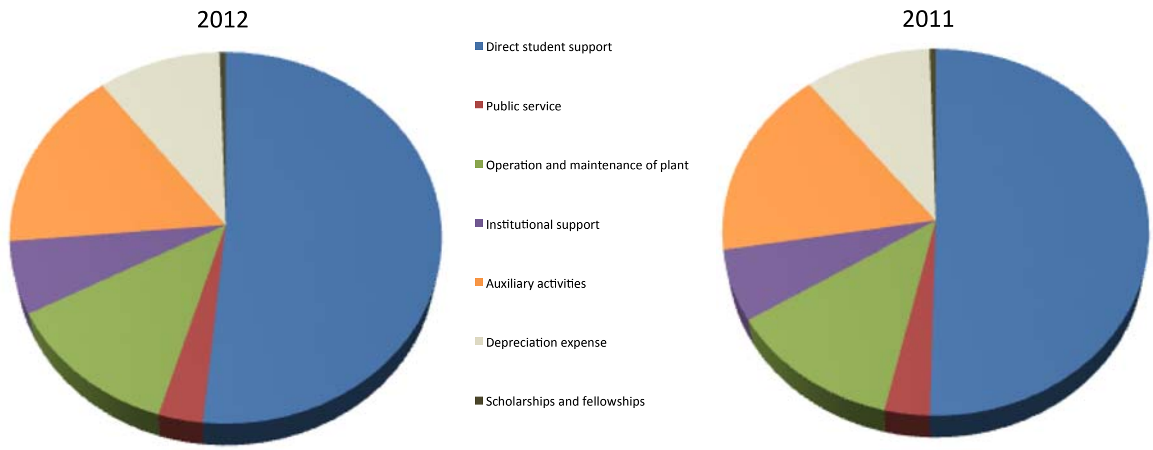
		2012	2011	2010
State appropriations	$	29,317	30,480	32,451
Fringe benefits		25,091	25,332	23,783
Gross state support	$	54,408	55,812	56,234

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 2012 the investment portfolio earned $556 thousand, a modest increase compared to $448 thousand in the previous fiscal year.

Expenses

The following is an illustration of operating expenses by function for the fiscal years ended June 30, 2012 and 2011 (amounts in thousands):



	2012			2011		
		Amount	Percent		Amount	Percent
	(Amounts in thousands)					
Instruction and research	$	64,375	36.0%	$	62,339	35.9%
Academic support		13,351	7.5%		12,174	7.0%
Student services		14,488	8.2%		13,008	7.5%
Direct student support	$	92,214	51.7%	$	87,521	50.4%
Public service	$	5,582	3.1%	$	5,585	3.2%
Operation and maintenance of plant		22,508	12.6%		21,806	12.6%
Institutional support		11,289	6.3%		10,844	6.2%
Auxiliary activities		28,692	16.0%		29,261	16.9%
Depreciation expense		17,594	9.8%		17,713	10.2%
Scholarships and fellowships		902	0.5%		865	0.5%
	$	178,781	100.0%	$	173,595	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 2012 and 2011, total operating expenses were $178.8 million and $173.6 million, respectively, representing an overall increase of 3.0% and 4.9%, 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 2012 and 2011, both functional categories had increases primarily due to contractual salary and related fringe benefit increases.

Academic Support

In fiscal year 2012 the increase of $1.2 million or 9.7% resulted from expenditures for library acquisitions, computer hardware and software, academic lab equipment plus an increase in salary and fringe benefits. In fiscal year 2011, academic support remained relatively stable due to contractual salary and related fringe benefit increases that were offset by the capitalization of some equipment.

Public Service

This category remained relatively stable with the same level of investment in fiscal years 2012 and 2011. Public services represent academic enterprise programs geared toward community involvement and benefit, such Bonner Center for Civic and Community Engagement and Small Business Development Center.

Student Services

Student service expenses increased $1.5 million or 11.4%, during fiscal year 2012. This increase was primarily due to salary and fringe benefits increases, plus additional investment in the student affairs division for athletics team travel and computer software. In fiscal year 2011, the student services increase was 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 years 2012 and 2011, the increase in operation and maintenance of plant was due to salary and related fringe benefits increases plus additional cost for property insurance.

Institutional Support

Institutional support had a modest increase of $445 thousand during fiscal year 2012 primarily due to the increase in publications and creative costs in admissions for strategic marketing initiatives. The increases were offset by capitalization of computer and other equipment. In fiscal year 2011, the increase was primarily due to the strategic funding allocations for the institutional positioning initiatives and the feasibility study for a major fundraising campaign.

Auxiliary Activities

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

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.

Depreciation Expense

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

Depreciation expense increased $1.5 million or 9.6%, in fiscal year 2011, 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 fiscal year 2012 interest expense decreased $882 thousand or 5.6% due to lower debt service. In fiscal year 2011, 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 years 2012 and 2011, transactions with affiliates had net increases of $77 thousand and $1.6 million 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. In exchange for this, the College cancelled the reimbursement that was due from the Corporation in the amount of $1.8 million 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 years 2012 and 2011, other non-operating expenses decreased $39 thousand and $163 thousand, respectively, mainly due to the reduction in bond administrative and amortization costs.

Operating Margin

In fiscal years 2012 and 2011, operating losses were $30.8 million and $31.7 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 6.4% for the last three fiscal years providing adequate annual debt service coverage of 2.6 times.

Economic Factors that Will Affect the Future

The College has a long tradition of prudent financial planning, and resource allocation that has allowed it to continue strengthening its financial position through positive operating results and respond to future challenges and opportunities. For the fiscal years ending June 30, 2012 and 2011, the College finished with $9.6 million and $9.0 million, or 2.8% and 2.7%, 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 fringe benefits appropriations have been relatively flat due the rising cost of healthcare and other fringe benefits. With the State continuing to face fiscal pressures, we believe it is unlikely that this historical pattern will change and thus believe that it is also unlikely that state support will keep pace with the College's needs.

Cognizant of our responsibility to allocate resources strategically and keep the cost of education at TCNJ affordable, the College has identified areas for focused review and strategies to ensure the maintenance of the College's long-term financial health. 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 and student development programs. The strategies include cost containment initiatives, expanding fund-raising activities, investment in facilities, diversifying revenues, enhancing entrepreneurial activity and reviewing the organizational structure to generate 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 our consistently strong operating performance, are all factors in the positive outlook for the College of New Jersey. Management believes that the College is well positioned to continue providing excellence in educational programs to our students and service to the State.

STATEMENT OF NET ASSETS

June 30, 2012

(Amounts in thousands)

Assets	Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Total
Current assets:			
Cash and cash equivalents	$ 58,802	835	59,637
Receivables:			
Student accounts, net of allowance of doubtful accounts of $323	2,744	—	2,744
Student loans	833	—	833
Grants	3,635	—	3,635
Due from State of New Jersey (note 5)	1,682	—	1,682
Other	1,554	32	1,586
Total receivables	10,448	32	10,480
Investments (notes 4 and 17)	14,623	2,276	16,899
Restricted deposits held with bond trustees (note 7)	10,449	—	10,449
Prepaid expenses and other assets	2,689	—	2,689
Total current assets	97,011	3,143	100,154
Noncurrent assets:			
Student loans receivable, net of allowance of doubtful loans of $626	2,718	—	2,718
Restricted deposits held with bond trustees (note 7)	16,196	—	16,196
Other assets	—	10	10
Investments (notes 4 and 17)	21,979	115	22,094
Restricted investments (notes 4 and 17)	—	21,424	21,424
Deferred financing costs, net of accumulated amortization of $11,077	34,803	—	34,803
Capital assets, net (note 6)	582,627	—	582,627
Total noncurrent assets	658,323	21,549	679,872
Total assets	755,334	24,692	780,026
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (note 8)	19,502	503	20,005
Compensated absences – current portion (note 12)	3,090	—	3,090
Due to/(from) affiliates (note 3)	32	—	32
Deferred revenue and student deposits	2,928	—	2,928
Bonds payable – current portion, including net premium of $1,341 (note 9)	3,181	—	3,181
Other long-term obligations – current portion (note 9)	449	—	449
Total current liabilities	29,182	503	29,685
Noncurrent liabilities (note 9):			
Compensated absences – noncurrent (note 12)	234	—	234
U.S. and Government grants refundable	4,414	—	4,414
Bonds payable – noncurrent, including net premium of $11,050 (note 9)	363,940	—	363,940
Other long-term obligations (note 9)	6,907	2,292	9,199
Total noncurrent liabilities	375,495	2,292	377,787
Total liabilities	404,677	2,795	407,472
Net Assets			
Invested in capital assets, net of related debt	224,346	—	224,346
Restricted:			
Nonexpendable:			
Scholarships	—	5,886	5,886
Other programs	—	1,836	1,836
Expendable:			
Scholarships	—	8,047	8,047
Research	—	161	161
Other	1,837	2,835	4,672
Student loans	58	—	58
Unrestricted (note 13)	124,416	3,132	127,548
Total net assets	$ 350,657	21,897	372,554

See accompanying notes to financial statements.

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	679	61,594
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		—	5,546	5,546
Other programs		—	1,351	1,351
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 REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2012

(Amounts in thousands)

		Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Total
Operating revenues:				
Student revenues:				
Student tuition and fees	$	104,693	—	104,693
Less tuition scholarship allowances		(20,076)	—	(20,076)
Net student tuition and fees		84,617	—	84,617
Student housing and fees		43,013		43,013
Less housing scholarship allowances		(5,754)	—	(5,754)
Net student housing and fees		37,259	—	37,259
Federal grants and contracts		8,704	—	8,704
State of New Jersey grants and contracts		9,491	—	9,491
Auxiliary activities		4,450	—	4,450
Contributions		—	1,657	1,657
Interest on student loans receivable		84	—	84
Other operating revenues		3,349	1,431	4,780
Total operating revenues		147,954	3,088	151,042
Operating expenses:				
Instruction		55,616	—	55,616
Research		8,759	—	8,759
Academic support		13,351	—	13,351
Public service		5,582	—	5,582
Student services		14,488	—	14,488
Operation and maintenance of plant		22,508	—	22,508
Institutional support		11,289	—	11,289
Scholarships and fellowships		902	715	1,617
Auxiliary activities		28,692	—	28,692
Fundraising		—	107	107
Depreciation		17,594	—	17,594
Total operating expenses		178,781	822	179,603
Operating (loss) income		(30,827)	2,266	(28,561)
Nonoperating revenues (expenses):				
State of New Jersey appropriations		29,317	—	29,317
State of New Jersey fringe benefits		25,091	—	25,091
Investment income (loss)		556	(13)	543
Interest expense		(14,815)	—	(14,815)
Transactions with affiliates (note 3)		1,583	(2,462)	(879)
Other revenues (expenses), net		(1,289)	(242)	(1,531)
Net nonoperating revenues (expenses)		40,443	(2,717)	37,726
Income (loss) before other revenues		9,616	(451)	9,165
Additions to permanent endowments		—	825	825
Increase in net assets		9,616	374	9,990
Net assets as of beginning of year		341,041	21,523	362,564
Net assets as of end of year	$	350,657	21,897	372,554

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	711	1,576
Auxiliary activities	29,261	—	29,261
Fundraising	—	72	72
Depreciation	17,713	—	17,713
Total operating expenses	173,595	783	174,378
Operating (loss) income	(31,701)	3,059	(28,642)
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	(2,591)	(1,085)
Other revenues (expenses), net	(1,328)	(420)	(1,748)
Net nonoperating revenues (expenses)	40,741	427	41,168
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.

STATEMENTS OF CASH FLOWS

(Business-Type Activities – College only)
Years ended June 30, 2012 and 2011
(Amounts in thousands)

		2012	2011
Cash flows from operating activities:			
Student tuition and fees	$	85,241	80,954
Federal, State, and local grants and contracts		18,620	15,814
Payments to suppliers		(43,239)	(34,855)
Payments to employees		(90,993)	(86,789)
Payments for benefits		(3,361)	(2,112)
Student housing and auxiliary activities		41,709	37,938
Other receipts, net		3,433	3,523
Net cash provided by operating activities		11,410	14,473
Cash flows from noncapital financing activities:			
New Jersey State appropriations		29,317	30,480
Other receipts, net		2,505	1,230
Net cash provided by noncapital financing activities		31,822	31,710
Cash flows from capital and related financing activities:			
Purchase of capital assets		(31,935)	(36,394)
Net withdrawals to deposits held with bond trustees		12,778	11,710
Bond debt retirement		(33,070)	—
Proceeds from bond issuance		29,842	—
Principal payments on bonds and other obligations		(2,358)	(4,576)
Interest payments on bonds and other obligations		(20,727)	(12,209)
Net cash used by capital and related financing activities		(45,470)	(41,469)
Cash flows from investing activities:			
Interest on investments		47	179
Purchases of investments		(10,000)	(25,000)
Maturities of investments		10,078	3,425
Net cash provided by (used by) investing activities		125	(21,396)
Net change in cash and cash equivalents		(2,113)	(16,682)
Cash and cash equivalents as of beginning of year		60,915	77,597
Cash and cash equivalents as of end of year	$	58,802	60,915
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(30,827)	(31,701)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		17,594	17,713
State of New Jersey fringe benefits		25,091	25,332
Changes in assets and liabilities:			
Receivables, net		(49)	(823)
Prepaid expenses		(96)	127
Accounts payable and accrued expenses		296	2,208
Accrued salaries		(830)	599
Other accrued expenses		(21)	15
Deferred revenue and student deposits		252	1,003
Net cash provided by operating activities	$	11,410	14,473

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 2011, the College enrolled 6,402 full-time equated undergraduate students and 377 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 2012 and 2011 reflect a net decrease in fair value of investments of $23 and $35, 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. 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, 2012 are approximately $13,359. 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 $1,594 and $1,460 in fiscal years 2012 and 2011, 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.

(3) Transactions with Affiliates

(a) The College of New Jersey Foundation

The College of New Jersey Foundation, Inc. (the Foundation) has approved payments to the College for restricted private grants, and donated capital assets of $2,462 and $2,591 during fiscal years 2012 and 2011, respectively. As of June 30, 2012 and 2011 a net payable of $3 and $3 was due to the Foundation. Additional information about the Foundation is presented in note 17 to the financial statements.

(b) Trenton State College Corporation

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

During 2012 and 2011, the College incurred $344 and $386, 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, 2012 and 2011, there were outstanding payables due to the Corporation relating to these expenses of $62 and $83, 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 $304 for June 30, 2012 and 2011, respectively, of which $34 and $33 were due to the College as of June 30, 2012 and 2011, respectively.

The Corporation had purchased some Transfer Housing facilities in order to provide additional housing for the College's students. During fiscal years 2012 and 2011, 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 2012 and 2011 were $213 and $236, 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 are needed for the future development of a campus town and the remaining four as part of the strategic acquisition plan of the College. The Corporation transferred the four strategic acquisition properties valued at $868 to the College during 2011. The remaining six campus town properties valued at $967 were transferred during 2012. In exchange for this, the College did not request the Corporation reimburse the College for the $1,811 that the College initially provided to the Corporation to purchase and renovate the Country Club Apartments. The College provided the difference of $26 to the Corporation during 2012. 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 $58,802 and $60,915 as of June 30, 2012 and 2011, respectively, which included $55,414 and $56,309, respectively, held in the State of New Jersey Cash Management fund and $3,388 and $4,606, respectively, held in various accounts at Wells Fargo Bank. Of the amounts held at Wells Fargo Bank, $250 was insured by the Federal Deposit Insurance Corporation (FDIC) and the excess of FDIC coverage are collateralized pursuant to New Jersey Statute 52:18-16-1.

The College participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The operations of the Cash Management Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments. Statutes of the State of New Jersey and Regulations of the State Investment Council authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies, and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes, and mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history, and other evaluation factors. The Cash Management Fund is unrated.

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

The College's investments as of June 30, 2012 and 2011 are as follows:

Investments			
		2012	**2011**
U.S. Treasury bonds and notes	$	6,864	21,024
U.S. Government agencies		13,333	9,539
Corporate notes		4,802	4,587
Mutual funds		10,242	—
Municipal bond		385	—
Money market fund		834	860
Commonfund – Intermediate-term fund		142	138
Total	$	36,602	36,148

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.

Notes to the Financial Statements (dollar amounts in thousands)

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, 2012 and 2011, the College's fixed income investments were rated as follows:

Fixed Income Investments Ratings 2012

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

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

The Commonfund is a mutual fund. As of June 30, 2012 and 2011, the Commonfund intermediate term fund was not rated.

Notes to the Financial Statements (dollar amounts in thousands)

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, 2012 and 2011, the College's fixed income investments had maturity dates as follows:

Fixed Income Investments Maturity 2012

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

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

(5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2012 and 2011:

Due from State of New Jersey

		2012	2011
FICA benefit reimbursement	$	976	487
Alternative Benefit Programs (ABP)		706	712
Total	$	1,682	1,199

Notes to the Financial Statements (dollar amounts in thousands)

(6) Capital Assets

Capital asset activity for the years ended June 30, 2012 and 2011 was as follows:

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

Notes to the Financial Statements (dollar amounts in thousands)

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

As of June 30, 2012 and 2011, the College's bond obligations were collateralized by buildings and equipment with book values of $457,637 and $445,136, respectively. During fiscal years 2012 and 2011, interest income on bond construction funds for Series 2010 A and 2010 B bonds was $60 and $157, respectively. Interest expense on these same bond funds was $3,023 for 2012 and $3,023 for 2011. Net interest costs of $2,963 and $2,866, for fiscal years 2012 and 2011, respectively, were capitalized and included in construction in progress.

Notes to the Financial Statements (dollar amounts in thousands)

(7) Restricted Deposits Held with Bond Trustees

Deposits held with bond trustees represent restricted funds held by U.S. Bank (the trustee), under the terms of various lease agreements and bond indentures. Deposits with bond trustees are carried in the financial statements at fair value and consist of short term investments and government securities. As of June 30, 2012 and 2011, deposits with bond trustees include the following:

Deposits Held with Bond Trustees			
		2012	2011
Construction funds	$	16,196	28,923
Capitalized interest		—	345
Debt service (principal and interest)		10,449	13,547
Total	$	26,645	42,815

As of June 30, 2012 and 2011, 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, 2012 and 2011:

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

Notes to the Financial Statements (dollar amounts in thousands)

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	—	—

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2012 and 2011:

Accounts Payable and Accrued Expenses			
		2012	2011
Bond principal and interest	$	10,427	13,547
Vendors		4,032	4,898
Accrued salaries and benefits		2,532	2,360
Accrued expense – construction		2,511	3,606
Total	$	19,502	24,411

(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, 2012 and 2011:

Bonds Payable and Other Long-Term Obligations		2012	2011
Bonds payable:			
New Jersey Educational Facilities Authority:			
2002 Series C (interest 4.00% to 5.38%, refinanced with 2012 Series A)	$	—	33,070
2008 Series D (interest 4.00% to 5.00%, due serially starting on July 1, 2010 to July 1, 2028)		157,335	158,335
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)		2,595	3,410
2010 Series B (interest 4.878% to 7.395%, maturing on July 1, 2016 through July 1, 2040)		41,090	41,090
2012 Series A (interest 2.00% to 5.00%, maturing on July 1, 2019)		26,255	—
Subtotal bonds payable		354,730	363,360
Add/subtract:			
Bond premium		12,391	9,855
Bond discount		—	(125)
Total bonds payable	$	367,121	373,090
Other long-term obligations:			
Dormitory Safety Trust Fund (interest 5%, maturing on January 15, 2018)	$	532	649
Equipment Leasing Series 2003A (interest 2.00% to 5.00%, maturing on August 1, 2011)		—	110
Higher Education Capital Improvement Fund (interest 4.52% to 5.25% maturing on August 15, 2022)		6,824	7,140
Total other long-term obligations	$	7,356	7,899

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, 2012:

Principal and Interest Repayments

		Bond principal	Other long-term obligations principal	Bond interest	Other long-term obligations interest
Year ending June 30:					
2013	$	1,840	449	18,601	337
2014		8,915	466	18,258	320
2015		9,675	483	17,950	302
2016		10,285	502	17,530	283
2017		11,050	434	17,017	263
2018-2022		65,500	3,408	76,128	933
2023-2027		78,125	1,614	57,712	32
2028-2032		90,875	—	36,513	—
2033-2037		70,715	—	11,416	—
2038-2040		7,750	—	1,164	—
	$	354,730	7,356	272,289	2,470

Notes to the Financial Statements (dollar amounts in thousands)

Noncurrent liabilities activity for the years ended June 30, 2012 and 2011 is as follows:

Noncurrent Liabilities Activity

2012		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	3,289	3,171	(3,136)	3,324	3,090
Natural gas forward contracts		2,645	—	(2,645)	—	—
U.S. and Government grants refundable		4,414	—	—	4,414	—
Bonds payable, net		373,090	30,133	(36,102)	367,121	3,181
Other long-term obligations		7,899	—	(543)	7,356	449
Total noncurrent liabilities	$	391,337	33,304	(42,426)	382,215	6,720

2011		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	3,455	3,235	(3,401)	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	3,245	(9,558)	391,337	11,976

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

(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, $25,091 and $25,332 in 2012 and 2011, respectively, were paid directly by the State on behalf of the College and are included in the accompanying financial statements as part of nonoperating revenues and as operating expenses in various functional expense categories.

(11) Retirement Plans

(a) Plan Descriptions

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

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including postretirement healthcare, to substantially all full-time employees of the State or public agency provided the employee is not a member of another state-administered retirement system. PERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the State.

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

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

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

Certain faculty members of the College participate in the TPAF, which is a State cost-sharing contributory defined benefit pension plan with a special funding situation. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full-time public school teachers of the State.

Notes to the Financial Statements (dollar amounts in thousands)

The State issues publicly available financial reports that include financial statements and required supplementary information for PERS, PFRS and TPAF. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

(b) Funding Policies

PERS, TPAF, and PFRS covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the required contributions are made on the College's behalf by the State of New Jersey annually at an actuarially determined rate. The contribution requirements of plan members and the College are established and may be amended by the board of trustees of the respective plan.

(c) Alternate Benefit Program (ABP) Information

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

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pretax basis. Employer contributions for the ABP are 8%. During the years ended June 30, 2012 and 2011, ABP investment carriers received employer and employee contributions as follows:

ABP Employer and Employee Contributions

		2012	2011
Employer contributions	$	4,200	4,160
Employee contributions		5,848	5,715
Participating employees' salaries		52,500	52,005

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

(d) Supplemental Alternate Benefit Program

The Plan is administered by the College. TIAA-CREF is the privately operated investment carrier for this defined contribution retirement plan. All contributions are made by the College with non-State funds. The plan is intended to qualify as a governmental plan that is a tax-sheltered annuity plan under section 403(b) of the Internal Revenue Code of 1986, as amended. It is also intended that the Plan be exempt from the Employee Retiree Income Security Act of 1974, as amended, pursuant to Department of Labor regulations section 2510.3-2(f). Each employee whose compensation exceeds the State limit on contributions for the ABP in a given year shall be eligible to participate in the plan and have employer contributions made on their behalf. The College will contribute 8% of the employee's compensation in excess of the State limit on compensation. The accumulated base salary limit during each calendar year is $141,000. There were no employee contributions during fiscal years 2012 or 2011. The employer contributions made during fiscal years 2012 and 2011 were $40 and $41, respectively.

(e) Postemployment Benefits Other Than Pension

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

(12) Compensated Absences

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the sick leave accumulation at the pay rate in effect at the time of retirement up to a maximum of $15 per employee. Employees separating from College service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the College recorded a liability for accumulated sick leave balances in the amount of $234 and $215 as of June 30, 2012 and 2011, 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 $2,648 and $2,570 as of June 30, 2012 and 2011, 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, 2012 and June 30, 2011 liabilities of $442 and $504, respectively, were included in compensated absences in the accompanying financial statements.

(continued)

Notes to the Financial Statements (dollar amounts in thousands)

(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, 2012 and 2011 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			
		2012	2011
Capital reserves - educational and general	$	52,550	51,763
Capital reserves - auxiliary		52,730	51,941
Strategic operating reserves		10,524	10,366
Debt service		8,612	9,497
Total	$	124,416	123,567

(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, 2012 and 2011, the College expended $332 and $265, respectively, for government and public relations, and $251 and $234, respectively, for legal fees.

(16) Cash Flow Hedge – Commodity Futures Contracts

The College had 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, 2012 there were no active contracts. 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 agreed to pay $9.323 average fixed price per MMBTU for fiscal year 2012, and agreed 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 were considered hedging derivatives, and the aggregate change in fair value was reported as a deferred outflow in the statement of net assets.

As of June 30, 2011 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.

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, 2012 and 2011:

Notes to the Financial Statements (dollar amounts in thousands)

Foundation Investments			
		2012	2011
Equities	$	12,443	12,657
Mutual funds		4,748	4,815
U.S. Treasury bills and notes and Government agencies		2,497	2,538
Corporate bonds		464	542
Cash and cash equivalents		2,094	1,774
Alternative investment		1,569	1,251
Total	$	23,815	23,577

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).

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

Foundation Fixed Income Investments Ratings 2012					
Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$	2,504	1,211	1,286	7
Aa1		12	—	—	12
Aa2		26	—	—	26
Aa3		26	—	—	26
A1		85	—	—	85
A2		82	—	—	82
A3		87	—	—	87
Baa1		34	—	—	34
Baa2		90	—	—	90
Baa3		15	—	—	15
Total	$	2,961	1,211	1,286	464

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

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

Foundation Fixed Income Investments Maturity 2012

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

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, 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

(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, 2012 and 2011 is as follows:

Functional Classification of Natural Expenses 2012					Allocation			
		Salary and fringe	Supplies, materials, services and other	Total operating expenses	Operation and maintenance of plant	Depreciation	Interest expense (nonoperating)	Total
Instruction	$	51,032	4,584	55,616	13,196	7,611	6,409	82,832
Research		8,397	362	8,759	2,171	1,252	1,055	13,237
Academic support		9,789	3,562	13,351	2,531	1,460	1,229	18,571
Student services		11,657	2,831	14,488	3,014	1,739	1,464	20,705
Scholarships and fellowships		—	902	902	—	—	—	902
Direct Student Support		80,875	12,241	93,116	20,912	12,062	10,157	136,247
Public service		3,500	2,082	5,582	905	522	440	7,449
Operation and maintenance of plant		14,994	7,514	22,508	(26,627)	2,236	1,883	—
Institutional Support		9,063	2,226	11,289	2,345	1,352	1,138	16,124
Auxiliary activities		9,531	19,161	28,692	2,465	1,422	1,197	33,776
Depreciation		—	17,594	17,594	—	(17,594)	—	—
Total	$	117,963	60,818	178,781	—	—	14,815	193,596

Notes to the Financial Statements (dollar amounts in thousands)

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

(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 per occurrence with a per occurrence limit of $1,500,000. Money and securities coverage provides for the actual loss in excess of $25 with a per loss limit of $5,000. In addition to the insurance purchased and maintained through the consortium, the College maintains two additional policies. The first is a student professional liability policy with a limit of $2,000 per claim and a $5,000 aggregate. The second is a museum collection and temporary loans policy with a $450 limit.

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

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

Schedule of Expenditures of Federal Awards
June 30, 2012

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	$	13,500
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grants (including administrative cost allowance of $10,259)	84.007		215,448
Federal Direct Loan Program	84.268		30,254,312
Federal Work-Study Program (including administrative cost allowance of $6,299)	84.033		151,573
Federal Perkins Loan Program (including administrative cost allowance of $20,876)	84.038		438,396
Federal Pell Grant Program	84.063		4,932,832
Teacher Education Assistance for College and Higher Education Grants	84.379		76,420
Total Student Financial Assistance Cluster			36,082,481
Research and Development Cluster:			
U.S. Department of Health and Human Services:			
Passed through New Jersey Department of Corrections:			
Promoting Responsible Fatherhood	93.086		34,578
National Science Foundation:			
RUI - Orientational Relaxation for Chromophore Order	47.049		45,987
Collaborative Research: Deep Structure Controls on Magmatic Output of			
Passed through Villanova University:			
Klyuchevoskoy Volcanic Group, Kamchatka	47.050		3,000
Collaborative Research	47.070		12,732
Collaborative Research: Bringing Seismology's Grand Challenges to the Undergraduate Classroom	47.076		46,825
ARRA - Faculty/Student Collaboration in Environmental & Model Organism Biology, Recovery Act	47.082		47,922
Total Research and Development Cluster			191,044
National Science Foundation:			
Acquisition of a 400 MHz NMR Spectrometer for Undergraduate Research and Training	47.049		26,000
Computer and Information Science and Engineering:			
Broadening Participation in Computing via Community Journalism for Middle Schoolers	47.070		536
Giving the Maestro a Human Heart	47.070		130,524
Total Computer and Information Science and Engineering			131,060
Biological Sciences:			
SICB 2011 Society - Wide Symposium	47.074		6,038
RUI Collaborative: Biomechanics and Control of Landing in Toads	47.074		31,807
Total Biological Sciences			37,845
Education and Human Resources:			
Collaborative Project: A Workshop Initiative by the Council on Undergraduate Research to Establish, Enhance and Institutionalize Undergraduate Research	47.076		3,559
TUES: Type 1: COMTOR: Enabling Students and Educators to Automatically Assess Software Doc	47.076		65,109
Program to Enhance Retention of Student in Science Trajectories in Biology and Chemistry	47.076		272,255
PAID: ADVANCE Female Faculty Through Career Development	47.076		180,306
Total Education and Human Resources			521,229
U.S. Department of Justice:			
Passed through New Jersey Department of Law and Public Safety:			
Statewide DMC Assessment & Report	16.540		15,822
Passed through New Jersey Division of Alcoholic Beverage Control:			
Lollanobooza	16.727		5,000
Passed through New Jersey Department of Corrections:			
Second Chance Act Reentry Demonstration Project	16.812		43,436

Schedule of Expenditures of Federal Awards
June 30, 2012

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	$	307,319
Creating a Team of Highly Qualified Professionals for English Language Learners	84.365		199,695
Passed through New Jersey Department of Education:			
Career and Technical Education - Basic Grants to States			
CTE Enhancing Teaching and Student Leadership in the Career Cluster of Science, Technology, Engineering and Mathematics	84.048		143,679
Special Education Cluster:			
Individuals with Disabilities Education Act, Enhancing Knowledge and Skills	84.027		59,770
Expand International Business Education at TCNJ to China	84.153		50,490
NJHE Consortium to Prevent and Reduce Alcohol Abuse	84.184		4,725
Enhancing and Extending the Current Career and Community Studies Program	84.407		179,499
Passed through New Jersey Commission on Higher Education:			
College Access Challenge Grant Program	84.378		296
U.S. Department of Housing and Urban Development:			
Passed through Rutgers, the State University of New Jersey:			
New Jersey Sustainable Communities Consortium	14.703		15,171
U.S. Department of Transportation:			
Passed through New Jersey Division of Highway Traffic Safety:			
Highway Safety Cluster:			
New Jersey Pedestrian Safety Enforcement Program	20.600		12,539
Peer Institute and Harm Reduction	20.601		65,137
Total Highway Safety Cluster			77,676
National Aeronautic and Space Administration:			
Fertilizing ROSES through STEM: (IMPRESS-Ed)	43.008		31,385
Passed through Rutgers, The State University of New Jersey:			
TCNJ MUSE Program for Summer 2011	43.008		15,000
Total National Aeronautic and Space Administration:			46,385
Passed through Space Science Institute:			
Understanding Blazar Variability through Kepler	43.001		15,027
U.S. Environmental Protection Agency:			
Passed through Cherry Hill Township:			
EPA Climate Showcase Communities	66.041		111,706
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		195,588
New Jersey Economic Opportunity Authority	59.037		16,499
Total U.S. Small Business Administration			212,087
Corporation for National and Community Service:			
Volunteers in Service to America (VISTA)	94.013		31,271
AmeriCorps:			
AmeriCorps National Education Awards Program	94.006		196,580
AmeriCorps Education Works	94.006		6,300
Passed through New Jersey Department of State:			
AmeriCorps Economic Opportunity Program	94.006		86,102
AmeriCorps Bonner Leaders Program	94.006		282,025
Total AmeriCorps			571,007
Total expenditures of Federal awards		$	39,079,720

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

Schedule of Expenditures of State of New Jersey Awards
June 30, 2012

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	$ 465,437	07/01/11 - 06/30/12	$ 465,437
Educational Opportunity Fund Grant - Article III - Summer School	100-074-2401-001-KKKK-6140	190,593	07/01/11 - 06/30/12	190,593
Higher Education Student Assistance Authority:				
Edward J. Bloustein Distinguished Scholars Award	100-074-DS10-278-KKKK-6150	461,280	07/01/11 - 06/30/12	461,280
New Jersey College Loans to Assist State Students (CLASS)	—	9,599,974	07/01/11 - 06/30/12	9,599,974
Tuition Aid Grant	100-074-2405-007-KKKK-6150	5,278,509	07/01/11 - 06/30/12	5,278,509
Urban Scholars Award	100-074-US11-278-KKKK-6150	55,800	07/01/11 - 06/30/12	55,800
NJ Student Tuition Assistance Reward Scholarship II	—	346,298	07/01/11 - 06/30/12	346,298
Total Student Financial Assistance Cluster				16,397,891
New Jersey Department of Human Services:				
Work Skill Preparation	MOU	247,561	06/16/11 - 06/30/12	234,713
New Jersey Department of Education:				
Career and Technical Education Partnership	11-100-034-5062-032-H200	140,000	09/01/10 - 08/31/11	44,142
Career and Technical Education Partnership	11-100-034-5062-032-H200	140,000	09/01/11 - 08/31/12	103,611
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 - 09/30/11	3,992
Bonner Community Scholars @ TCNJ	—	15,000	08/22/11 - 06/30/12	15,000
New Jersey Commission on Higher Education:				
Educational Opportunity Fund Program - Article IV	—	345,953	06/01/10 - 07/31/11	28,032
Educational Opportunity Fund Program - Article IV	—	345,953	06/01/11 - 07/31/12	271,687
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	448,220
Development and Implementation of a Segment/Junction Box Level Database	TCNJ2004 - Task Order 8	74,987	06/20/10 - 10/31/11	74,987
Passed through Rutgers, The State University of New Jersey:				
Traffic Control and Work Zone Safety for High Volume Roads	2004R002	24,847	01/01/10 - 06/30/12	6,955
Passed through New Jersey Institute of Technology:				
Feasibility and Efficacy of Public Transportation	(NP) 995708	37,622	01/01/11 - 06/30/12	37,163
New Jersey Board of Public Utilities:				
Office of Clean Energy Program: Sustainable New Jersey	71D-082-2014-001-6130	870,000	07/01/10 - 01/31/13	468,236
Office of Clean Energy Program: Sustainable New Jersey	—	500,000	01/01/12 - 12/31/12	189,036

Schedule of Expenditures of State of New Jersey Awards
June 30, 2012

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 - 08/31/11	$ 999
Support Service Providers - New Jersey (SSP-NJ)	MOU	178,860	03/31/10 - 08/31/11	24,349
Support Service Providers - New Jersey (SSP-NJ)	MOU	178,427	09/01/11 - 06/30/12	104,623
Central New Jersey Regional Assistant Tech	33LAC2	404,263	07/01/11 - 09/30/12	289,309
Assistant Tech at John Kohn Center	33LAC2	328,119	02/15/12 - 12/31/12	127,639
New Jersey Department of Children and Families / Division of Youth and Family Services:				
TCNJ Clinic Parent / Child	11WELC	6,294	08/01/10 - 03/31/12	533
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	18,801
New Jersey Department of State:				
State Appropriation to State Colleges and Universities	XX-100-074-24XX-XXX	29,317,000	07/01/11 - 06/30/12	29,317,000
New Jersey State Council of the Arts:				
Mercer County Cultural and Heritage Commission:				
Local Arts program grant	CY2011	3,650	01/01/11 - 12/31/11	3,650
Interdepartmental Accounts:				
State Fringe Benefits Other Than FICA	XX-100-094-9410-XXX	19,428,270	07/01/11 - 06/30/12	19,428,270
FICA - State Colleges and Universities Reimbursement Program	XX-100-094-9410-137	5,662,423	07/01/11 - 06/30/12	5,662,423
Total expenditures of State of New Jersey awards				$ 73,301,261

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 2012 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, 2012 was $4,093,733 and $79,413 respectively.

Year ended June 30, 2012			
		Federal Perkins Loan Program	**Nursing Student Loan Program**
Beginning balance	$	4,193,997	108,881
New loans issued		417,520	13,500
Payments		(487,063)	(8,849)
Adjustments		(6,000)	(34,119)
Cancellations		(24,721)	—
Ending balance	$	4,093,733	79,413

(3) Other Loan Programs

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan program and the New Jersey College Loans to Assist State Students (CLASS) program and, accordingly, these loans are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under these programs as of June 30, 2012.

(4) Subrecipients

Of the Federal expenditures presented in the schedule of expenditures of Federal awards, the College provided $242,276 and $19,080 in Federal awards under the AmeriCorps program, CFDA number 94.006 and Biological Sciences program, CFDA number 47.074, respectively, to subrecipients during the year ended June 30, 2012.

KPMG
KPMG LLP
Suite 402
301 Carnegie Center
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, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 23, 2012. 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* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The College of New Jersey Foundation, Inc.

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 23, 2012

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, 2012, 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, 2012 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with Federal OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-01, 12-02, and 12-03.

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, 2012 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. However, we identified deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 12-01, 12-02, and 12-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of Federal and State of New Jersey program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedules of Expenditures of Federal and State of New Jersey Awards

We have audited the financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey as of and for the year ended June 30, 2012, and have issued our report thereon dated October 23, 2012 which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise The College of New Jersey's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 23, 2012. The accompanying schedules of expenditures of Federal and State of New Jersey awards is presented for purposes of additional analysis as required by Federal OMB Circular A-133 and New Jersey OMB Circular 04-04 and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 basic financial statements or to the 2012 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditure of Federal and State of New Jersey awards are fairly stated in all material respects in relation to the 2012 basic financial statements as a whole.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's responses and, accordingly, we express no opinion on the responses.

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

January 14, 2013

(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, 2012, which collectively comprise the College's basic financial statements.

(b) No material weaknesses and no significant deficiencies in internal controls were disclosed by the audit of the financial statements of the College as of and for the year ended June 30, 2012.

(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, 2012.

(d) The audit disclosed no material weaknesses in connection with major Federal or State of New Jersey programs of the College for the year ended June 30, 2012. Three significant deficiencies (12-01, 12-02, and 12-03) were reported in connection with major Federal programs and no significant deficiencies were reported in connection with major State of New Jersey programs of the College for the year ended June 30, 2012.

(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, 2012.

(f) There were three audit findings (12-01, 12-02, and 12-03) which are required to be reported under Section 510(a) of Federal OMB Circular A-133 and no audit findings which are required to be reported under New Jersey OMB Circular 04-04 for the year ended June 30, 2012.

(g) The major Federal and State of New Jersey programs of the College for the year ended June 30, 2012 were as follows:

Federal

- Student Financial Assistance Cluster (CFDA #93.364, 84.007, 84.033, 84.038, 84.063, 84.268, and 84.379)
- Research and Development Cluster (CFDA #93.086, 47.049, 47.050, 47.070, 47.076, and 47.082)
- Education and Human Resources Program (CFDA #47.076)
- Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (CFDA #84.326)

State of New Jersey

- Student Financial Assistance Cluster
- State Appropriations

(h) The dollar threshold used to distinguish between type A and type B programs was $300,000 for Federal awards and $1,319,528 for State of New Jersey awards for the year ended June 30, 2012.

(i) The College qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2012.

(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

Federal Awards:

Finding number: 12-01

Federal Student Financial Assistance Cluster:
U.S. Department of Education:
Federal Pell Grant Program (CFDA #84.063)

Compliance Requirement – Pell Payment Reporting

Criteria

Financial Reporting

Common Origination and Disbursement (COD) System (OMB No. 1845-0039) –All schools receiving Pell grants submit Pell payment data to the Department through the Common Origination and Disbursement (COD) System.

Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid (7 days in the case of a school using the just-in-time method). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, and Accepted. In testing the Pell Payment origination and disbursement data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student payment data within 30 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 30 calendar days, bi-weekly, weekly or may set up their own system to ensure that changes are reported in a timely manner.

Key items to test on origination records are: Social Security Number, award amount, enrollment date, verification status code, transaction number, cost of attendance, and academic calendar. Key items to test on disbursement records are disbursement date and amount.

Condition and Effect

For six out of forty sampled students who received a Pell Grant award, our testwork to agree the key items, noted the cost of attendance from the College's Student Accounting System (PAWS) was not in agreement with the Common Origination and Disbursement System (COD).

As a result the College was not in compliance with the Pell Payment reporting requirements for the Pell Grant Program.

Questioned Costs

There are no questioned costs related to this finding as the College awarded and disbursed the proper amount of aid to the students.

Cause

The College does not have a control in place to ensure that the records between the Student Accounting System (PAWS) and the Common Origination and Disbursement System (COD) are in agreement.

Recommendation

We recommend that the College implement control procedures to ensure that student records reconcile between the Student Accounting System (PAWS) and the Common Origination and Disbursement System (COD).

View of Responsible Official

The Office of Student Financial Assistance is currently developing and testing a mismatch report to rectify this issue. Once implemented, the report will be run on a quarterly basis and will compare PAWS data with COD data. The report will review key items on the student's record to identify any mismatches between systems. This mismatch report will allow the office to identify and correct any student Cost of Attendance budget discrepancies. These reports will be kept on file for audit review.

Finding number: 12-02

Federal Student Financial Assistance Cluster:
U.S. Department of Education:
Federal Direct Loan (CFDA # 84.268)

Compliance Requirement – Disbursement to or on Behalf of Students and Borrower Data Transmission and Reconciliation (Direct Loan)

Criteria

Disbursements to or on Behalf of Students

The institution may not make a disbursement to a student for a payment period until the student is enrolled in classes for that payment period, unless the student is registered at least half-time (34 CFR section 668.32(a)(2)) and the loans are disbursed by electronic funds transfer (EFT) to an account of the school or by master check. In those situations, the school must obtain the student's (or in the case of parent a PLUS loan, the parent borrower's) written authorization for the release of the initial and any subsequent disbursement of each loan, unless authorization was provided in the loan application or Master Promissory Note. The institution must deliver the proceeds to the student or borrower or credit the student's account, notifying the student or parent borrower in writing (34 CFR section 668.165). The earliest an institution may disburse SFA funds (other than FWS) (either by paying the student directly or crediting the student's account) is 10 days before the first day of classes of the payment period for which the disbursement is intended (34 CFR section 668.164(f)). (If an institution uses its own funds, i.e., funds not drawn down from ED, earlier than 10 days before the first day of classes, ED considers that the institution made that disbursement on the 10th day before the first day of classes (34 CFR section 668.164(a)(2)). There are two exceptions to this rule. First, institutions may not disburse or deliver the first installment of Direct Loans to first-year undergraduates who are first time borrowers until 30 days after the student's first day of classes (34 CFR section 668.164(f)(3)), unless the institution has low default rates as discussed in the next paragraph. The second exception applies to a student who is enrolled in a clock hour educational program or a credit hour program that is not offered in standard academic terms. The earliest the institution may disburse funds is the later of 10 days before the first day of classes for the payment period or, except for certain circumstances under the Direct Loan program, the day the student completed the previous payment period (34 CFR section 668.164(f)(2)). The excepted circumstances for Direct Loan programs are described in 34 CFR sections 685.303(b)(3)(ii), (b)(5), and (b)(6), respectively (34 CFR section 668.164(f)).

Borrower Data Transmission and Reconciliation (Direct Loan)

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (*OMB No. 1845-0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303). (Note: The *Direct Loan School Guide* and yearly training documents describe the reconciliation process.)

Condition and Effect

For one out of forty sampled students who received a Direct Loan, the disbursement to or on behalf of the student was credited for both the Fall and Spring semesters prior to the start of Fall semester and the Common Origination and Disbursement System (COD) showed total aid disbursed for the Fall semester only.

As a result the College was not in compliance with the disbursement to or on behalf of students in accordance with the timeframe required and reconciling the files in accordance with the borrower data transmission and reconciliation requirements.

Questioned Costs

There are no questioned costs related to this finding.

Cause

For the one student in question, the student did not report a graduation date when enrolling at the College and was assigned an automatic date of Fall 2011, as such the PAWS system packaged the financial aid only for the Fall semester.

Recommendation

We recommend that the College implement a process to ensure the student disbursements are within the required timeframe and the student records reconcile between the Student Accounting System (PAWS) and the Common Origination and Disbursement System (COD).

View of Responsible Official

The Office of Student Financial Assistance in conjunction with the Records and Registration Office have developed a process to identify and rectify any students who may have an incorrect graduation date assigned. At the beginning of each semester the Records and Registration Office will run a program to identify students who have enrolled beyond their expected graduation date and assign them a new corrected graduation date. This new date will eliminate the potential for incorrect packaging of a student. Evidence of this process will be kept on file for audit review.

Finding number: 12-03

U.S. Department of Education:
Special Education, Technical Assistance and Dissemination to Improve Services and Results For Children With Disabilities (CFDA #84.326)

Compliance Requirement – Activities Allowed or Unallowed & Allowable Costs and Cost Principles

Criteria

Salaries and wages charged to Federal awards are allowable to the extent that total compensation to the individual employee conforms to established policies of the institution, are consistently applied, and provided that the charges for work performed directly on sponsored awards have been determined in accordance with and supported by the provisions of A-21, section J.10 as follows:

(1) Distribution of salaries and wages is based on payrolls documented in accordance with the generally accepted practices of the institution.

(2) Apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective is accomplished by methods which--

  (a) Comply with A-21, sections A.2 and C,
  (b) Produce an equitable distribution of charges for employees' activities, and
  (c) Distinguish the employees' direct activities from their indirect activities.

(3) The payroll distribution is based on an after-the-fact confirmation or determination that costs distributed represent actual costs. Confirmation should be by a responsible person with suitable

means of verification that the work was performed. Confirmation by the employee is not required if other responsible persons make appropriate confirmations.

Condition and Effect

For one out of fifteen sampled employees whose salary is charged to the grant, the biweekly payroll amount for one pay period was calculated based on a contract rate that had previously expired. This resulted in an overpayment to an employee.

As a result the College was not in compliance with the activities allowed or unallowed and allowable costs and cost principles for the Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities program.

Questioned Costs

The overpayment to the employee was $261 for the one sampled pay period.

Cause

The College's established system of review and approval of bi-weekly payroll failed to detect that the expired pay rate had been used for this employee.

Recommendation

We recommend that the College improve the review process to ensure the appropriate pay rates are utilized.

View of Responsible Official

The College utilizes a paper "Authorization for Employment" form for grant employees which lists their contract term, salary amount and grant(s) to be charged. The form is compiled and signed by the grant principal investigator (PI), then reviewed and signed by a representative of the office of academic grants and sponsored research to ensure the employee/responsibilities are appropriate for the grant, and then the finance office to ensure sufficient budget is available. Due to the nature of the grant award notifications often being sent very close to the start date of the grant, these forms are sometimes not received by all parties until the last moment. In this particular case, the form was dated June 30th with a contract start date of July 1st. Therefore, the form was not received by human resources until after the contract start date, and the employee's prior contract was honored for that first pay period. The finance office has been working with human resources and the grant PI's to ensure that the contracts are received in a more timely manner, and at least two weeks before the contract end date. Part of this process includes a monthly review of all grant employee contracts whose end dates are within the next month, then remind PI's that the new authorization forms are coming due.

State of New Jersey Awards

No findings or questioned costs which are required to be reported.