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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Trustees
The College of New Jersey:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent Auditors' Report

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of and for the years ended June 30, 2014 and 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 and 22 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 16, 2014

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, 2014 and 2013 with fiscal year 2012 data presented for comparative purposes. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for governments, including public colleges and universities. The MD&A section is designed to focus on current activities, resulting changes and currently known facts, and should be read in conjunction with the accompanying financial statements and notes thereto. Responsibility for the accuracy of the information and the completeness and fairness of its presentation, including all disclosures, rests with the management of the College.

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

College Overview

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

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

In the fall of 2013, TCNJ enrolled 6,533 full-time equivalent undergraduate students and 368 full-time graduate students. The College has residential facilities that housed more than half of the undergraduate students on campus.

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

Governance

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

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

Academic Profile

Faculty

The College faculty prepares students to excel in their chosen fields and to create, preserve, and transmit knowledge, the arts and wisdom. Committed to their students and their individual disciplines, the College faculty represents an array of scholarly approaches and methodologies. In fall 2013, the College's overall full-time equivalent (FTE) faculty count was 510. Approximately 67% of the total faculty FTE was full time (342) and the remaining 33% (168) included permanent part-time faculty, adjunct and teaching professional staff. During this same period, the total FTE student enrollment was 6,901 and the student to faculty ratio was 13:1. The College does not employ graduate teaching assistants, which increases faculty involvement in the curriculum and enriches student learning.

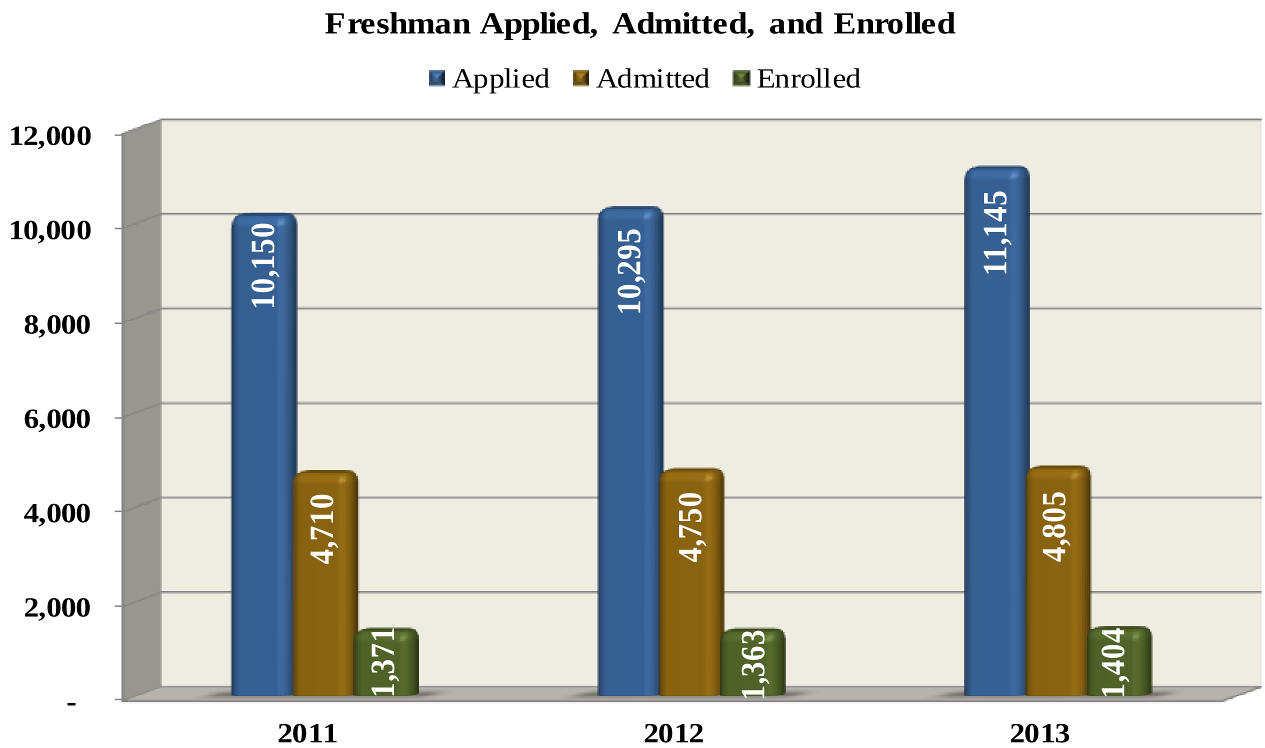
Faculty Data

Academic Year	Full-Time Faculty	Part-Time Faculty*	Tenured Faculty	Faculty with Terminal Degrees	Faculty / Student Ratio
2011 - 2012	351	132	244	306	13:1
2012 - 2013	349	146	238	307	13:1
2013 - 2014	342	168	284	301	13:1

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

Student

The College enjoys a healthy student demand and continues to attract academically talented students. As illustrated in the graph below, the fall 2013 full-time freshmen class enrolled 1,404 students yielding a 29% matriculation ratio based upon a 43% acceptance ratio for 11,145 applicants. The 94% freshman to sophomore retention rate demonstrates a high level of student satisfaction. The level of academic engagement is reflected in the high four year and six year graduation rates for the 2007 (first time freshman cohort 73% and 85%, respectively). Currently, 95% of the freshmen class and 56% of all undergraduate students live on campus.



The 2013–2014 academic year concluded with the awarding of 1,582 bachelor's degrees, 391 master's degrees, and 141 pre-/post-master's certifications.

Using the Financial Statements

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

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash

Flows. Sustained increases or decreases in net position over time are one indicator of the improvement or erosion of an institution's financial health when considered with relevant nonfinancial indicators such as enrollment levels, quality of freshman applicants, student retention and graduation rates and the condition of the facilities.

Some significant aspects of the financial statements are as follows:

- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the College's revenues, including state appropriations and investment income, are considered nonoperating, as defined by GASB Statement No. 35. The net nonoperating revenue totaled $40.6 million and $38.9 million for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, scholarship allowance totaled $27.5 million and $27.0 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $20.3 million and $18.1 million for the years ended June 30, 2014 and 2013, respectively.
- Unrestricted net position comprised various subcategories of designated and committed funds; however, GASB Statement No. 35 prohibits a breakdown of these designations on the face of the statement of net position. The College has many activities that require a certain level of reserves to be maintained. Examples include working capital reserves for auxiliary operations, educational and general activities, funding for debt service and capital reserves for planned construction efforts.

Statement of Net Position

The statement of net position presents the College's financial position at the end of the fiscal years 2014 and 2013, including all assets, liabilities and net position using the accrual basis of accounting. Assets and liabilities are generally measured using current values with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation, and long-term debt which is carried at cost.

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

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

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

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

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to ascertain how much the College owes external parties or employees. A summary of the College's assets, liabilities, and net position at June 30, 2014, 2013, and 2012 are as follows (2012 amounts were restated as a result of the implementation of GASB Statement 65):

Condensed Statement of Net Position
(Amounts in thousands)

		2014	2013	2012
Assets:				
Current assets	$	120,239	103,666	95,209
Capital assets, net		587,655	592,234	582,627
Other noncurrent assets		65,599	34,963	44,416
Total assets		773,493	730,863	722,252
Deferred outflows of resources		22,559	23,806	25,052
Liabilities:				
Current liabilities		47,537	38,850	29,182
Noncurrent liabilities		389,375	364,933	375,495
Total liabilities		436,912	403,783	404,677
Net Position:				
Net investment in capital assets		229,359	229,996	224,346
Restricted expendable		11,641	2,298	1,895
Unrestricted		118,140	118,592	116,386
Total net position	$	359,140	350,886	342,627

Statement of Net Position Financial Highlights

Assets

During fiscal year 2014, the College's total assets increased by $42.6 million or 5.8% and $8.6 million or 1.2% for fiscal year 2013. At June 30, 2014, the College's working capital, which is current assets less current liabilities, was $72.7 million, an increase of $7.9 million from the previous year. This change was due to an increase in short-term investments, offset by a decrease in cash.

The working capital is a key financial metric used to measure the College's liquidity for operations. It measures the institution's ability to satisfy its current obligations as they come due. With current assets at 2.5 and 2.7 times above current liabilities in fiscal years 2014 and 2013 respectively, the College had adequate liquidity to satisfy its current obligations.

Summary of Working Capital
(Amounts in thousands)

		2014	2013	2012
Current assets	$	120,239	103,666	95,209
Current liabilities		47,537	38,850	29,182
Working capital		72,702	64,816	66,027
Ratio of current assets to current liabilities		2.53	2.67	3.26

Cash and Investments

The College's investment portfolio contains two components: a short duration fixed income approach, which holds high quality fixed income securities generally maturing between one and three years, and a longer-term multi-asset class management portfolio, which entails a broader approach that focuses on the global investment universe.

The investment portfolio produced strong results for the fiscal year ended June 30, 2014 compared to the previous fiscal year. The combined portfolio generated a return of 8.7%, buoyed largely by the College's strategic investment in a long-term, diversified, multi-asset class portfolio, which returned 18.1% over the past 12 months. This exceeds the portfolio's benchmark, which returned 17.0% during the same period.

The multi-asset class portfolio has been allocated with a 70% equity and 30% fixed income approach since its inception in February 2012. Due to low fixed-income yields across the majority of the yield curve, this segment of the portfolio is currently managed slightly overweight to equities.

Despite the interest rate challenges during the fiscal year, the College's short-duration fixed income portfolio has generated solid returns while adhering to the investment policy mandates of safety, liquidity, and yield. Over the past 12 months, this segment of the portfolio generated a total return of approximately 1.0%, directly in-line with its benchmark, the BofA Merrill Lynch 1-3 Year U.S. Corporate/Government Bond Index.

The short-duration fixed income portfolio is allocated mostly towards U.S. government securities, which include U.S. Treasury and federal agency notes and bonds rated AA+. On average, over the past fiscal year, these investments accounted for approximately 63% of the portfolio. The rest of the portfolio has been invested in high quality credit sectors, including corporate notes, municipal obligations, and government mortgage-backed securities.

In fiscal year 2014, cash and cash equivalents decreased by $15.0 million, or 23.0%, primarily due to the transfer of excess cash to the investment portfolio, coupled with disbursements for operations including debt service payments. The decrease in cash was offset by cash receipts from operations plus reimbursements from deposits held with trustees for capital expenses paid in the previous year.

At June 30, 2014, investments totaled $57.4 million, representing an increase of $19.4 million due to the addition of $15.0 million in excess cash to the portfolio, coupled with the strong performance of the portfolio generating $4.5 million in investment income and appreciation.

Cash and Cash Equivalents and Investments
(Amounts in thousands)

		2014	2013	2012
Cash and cash equivalents	$	50,026	64,984	58,802
Investments – short term		36,494	18,034	14,623
Investments – long term		20,941	19,956	21,979
Total cash and cash equivalents and investments	$	107,461	102,974	95,404

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

Deposits Held With Trustees

Deposits held with trustees increased by $39.3 million from June 30, 2013 to June 30, 2014, primarily due to the issuance of $24.9 million in new debt to partially fund the construction of a new academic facility, coupled with capital grant funding received from the State of New Jersey State totaling $11.4 million. This increase was offset by requisitions paid throughout the fiscal year to reimburse the College for debt financed capital expenditures and expenditures in accordance with the grant agreements.

During fiscal year 2013, deposits held with trustees decreased by $7.0 million, or 26.4%, primarily due to reimbursements from construction funds for debt financed capital expenditures. This decrease was offset by interest earnings on the bond construction funds.

Capital Assets

At June 30, 2014, the College had $587.7 million invested in capital assets, net of accumulated depreciation of $229.8 million. Depreciation charges totaled $20.3 million for the current fiscal year. In addition, there were disposals of capital assets totaling $9.3 million to vacate property for new construction and disposal of other capital assets of $2.4 million. Capital additions are comprised of new construction and renovation of facilities.

These additions were funded primarily by capital reserves, capital grants and proceeds from bonds. The following is a breakdown of the net additions (transfers) for fiscal years ended June 30, 2014, 2013, and 2012:

Capital Additions
(Amounts in thousands)

	2014	2013	2012
Additions (transfers):			
Buildings and building improvements	$ 26,037	60,511	9,867
Land	—	—	459
Works of art/ historical treasures	200	—	392
Infrastructure	4,677	501	1,064
Equipment and other assets	2,518	2,515	4,268
Construction in progress	(21,539)	(35,803)	19,212
Net total additions	$ 11,893	27,724	35,262

The College also demolished multiple buildings and building improvements during fiscal year 2014 with a net book value of $5.4 million. The demolitions were to prepare land for the construction of a state-of-the-art science, technology, engineering and mathematics (STEM) facility, the Campus Town development, and other future development.

Deferred Outflows of Resources

During fiscal years 2014 and 2013, the deferred outflows of resources consists of deferred payments from debt refunding, which decreased by $1.2 million during fiscal years 2014 and 2013 due to the amortization of these deferred payments.

Liabilities

Current Liabilities

During fiscal years 2014 and 2013, current liabilities increased by $8.7 million, or 22.4%, and $9.7 million or 33.1%, respectively. In fiscal year 2014, the increase was primarily due to the accrual of construction related invoices that were not paid as of the end of the year, and increases in the principal bond payments due July 1, 2014 as compared to July 1, 2013. In fiscal year 2013, the increase was primarily due to the accrual of construction related invoices that were not paid as of the end of the year and increases in the principal bond payments July 1, 2013 as compared to July 1, 2012.

Noncurrent Liabilities

During fiscal year 2014, noncurrent liabilities increased by $24.4 million, or 6.7% due to the issuance of approximately $26.5 million in new debt which was offset by the repayment of principal on various bond issues totaling $9.4 million coupled with $1.4 million amortization of bonds premium. Additionally, $8.7 million of unearned revenue related to the New Jersey capital grants was added in 2014.

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

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 the College's facilities is an important factor in the College's ability to recruit highly qualified students. At June 30, 2014, the College had $387.5 million in outstanding bonds and other long-term obligations, compared to $370.8 million at June 30, 2013. TCNJ's debt burden is a function of the College's strategic choice to invest and reinvest in the campus despite the State's failure to finance academic infrastructure consistently over the past two decades.

Additional information about the College's existing long-term liabilities is presented in note 9 to the financial statements. At June 30, 2014, the College's bond ratings were as follows:

Bond Rating and Outlook			
	Fitch	Moody's Investors Service	Standard & Poor's
Long–term rating	AA	A2	A
Rating outlook	Stable	Stable	Stable

Net Position

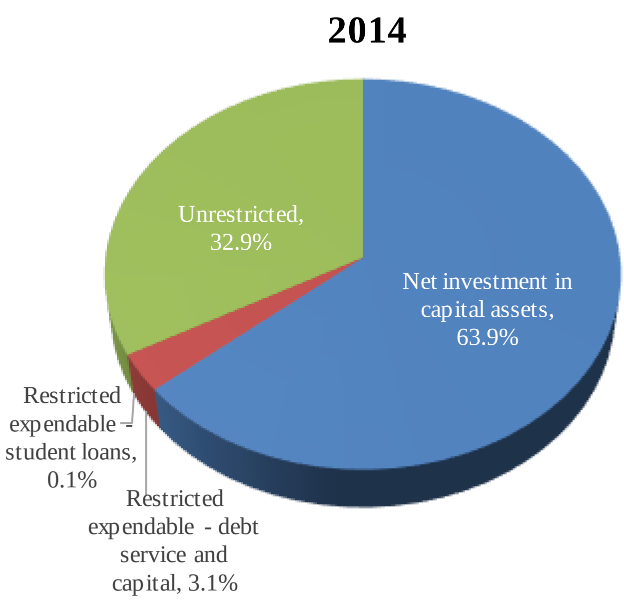
Net position represents the value of the College's assets after considering deferred outflows of resources and liabilities. The change in net position is one indicator of whether the overall financial condition has improved or worsened during the year. During fiscal years 2014 and 2013, the College's net position increased by $8.3 million, or 2.4%, in each year. In both fiscal years, the increases were directly related to the College's continued investment in capital assets coupled with positive operating surpluses and investment performance.

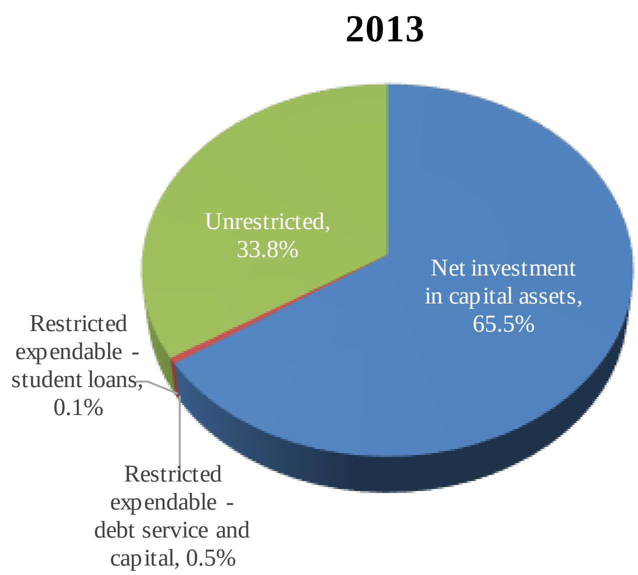
At June 30, 2014 and 2013, the total net position was reflected in the following three component categories:

- Net investment in capital assets represents the College's capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets. For fiscal year 2014, this category was relatively stable due to investments in capital assets that were offset by increased depreciation expense and disposal of capital assets. In fiscal year 2013, this category had a net increase of $5.7 million over the previous fiscal year. This change was driven by investment in capital assets funded by debt issuance and capital reserves.
- Restricted expendable net position contains resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During fiscal year 2014 this category increased by $9.3 million due to increases in deposits with trustees to

cover increased principal payments due July 1, 2014 as compared to July 1, 2013. For fiscal year 2013, this category increased by $0.4 million due to a decrease in student loan allowance.

- Unrestricted net position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the College's management or Board of Trustees. For fiscal year 2014, this category remained stable. In fiscal year 2013, it increased by $2.2 million over the previous fiscal year. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled the College to maintain its investment grade bond ratings.





Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the College's results of operations. The statement distinguishes revenues and expenses between operating and nonoperating 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 nonoperating revenues. Nonoperating 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 nonoperating. Therefore, the change in net position is more indicative of the overall financial results for the fiscal year.

The statement of revenues, expenses and changes in net position reflect positive performances over the last three years with increases in net position at the end of each year. A summary of the College's revenues, expenses, and changes in net position for the years ended June 30, 2014, 2013, and 2012 is as follows:

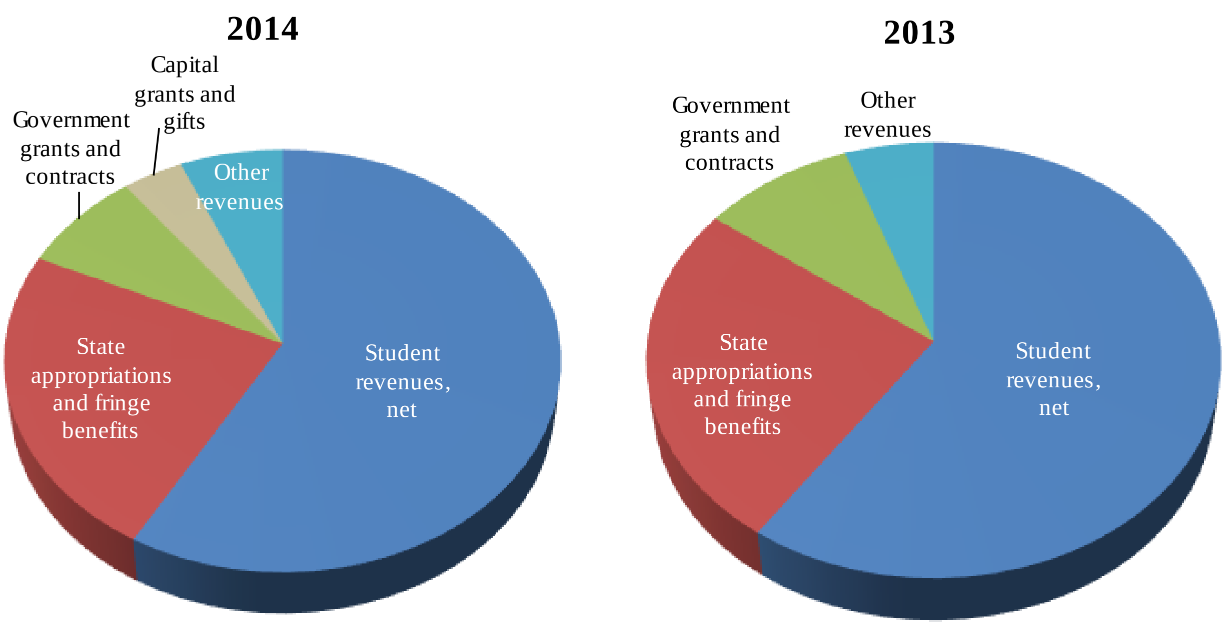
Condensed Statement of Revenues, Expenses and Changes in Net Position (Amounts in thousands)

		2014	2013	2012
Net student revenues	$	131,297	124,559	121,876
Government grants and contracts		17,636	19,550	18,195
Auxiliary activities		5,699	4,445	4,450
Other		2,573	4,619	3,433
Operating revenues		157,205	153,173	147,954
Instruction and research		66,849	66,513	64,375
Auxiliary activities		31,494	29,864	28,692
Institutional support		13,228	12,296	11,289
Operation and maintenance of plant		23,811	21,216	22,508
Student services		15,558	14,516	14,488
Academic support		14,972	14,161	13,351
Depreciation		20,337	18,117	17,594
Impairment loss on capital assets		5,382	—	—
Other		6,550	7,162	6,484
Operating expenses		198,181	183,845	178,781
Operating loss		(40,976)	(30,672)	(30,827)
State appropriations and fringe benefits		53,079	53,311	54,408
Other expenses, net		(12,465)	(14,380)	(13,733)
Net nonoperating revenues		40,614	38,931	40,675
Capital grants and gifts		8,616	—	—
Increase in net position		8,254	8,259	9,848
Net position, beginning of year		350,886	342,627	332,779
Net position, end of year	$	359,140	350,886	342,627

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

Revenues

The following is an illustration of revenues by source (both operating and nonoperating), that were used to fund the College's activities for the years ended June 30, 2014 and 2013:



	2014		2013	
	Amount	**Percent**	**Amount**	**Percent**
	(Amounts in thousands)			
Student revenues, net	$ 131,297	58.3%	$ 124,559	59.7%
State appropriations and fringe benefits	53,079	23.6%	53,311	25.5%
Government grants and contracts	17,636	7.8%	19,550	9.4%
Capital grants and gifts	8,616	3.8%	—	0.0%
Other revenues	14,542	6.5%	11,362	5.4%
	$ 225,170	**100.0%**	**$ 208,782**	**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 $4.0 million or 2.6% in fiscal year 2014, and by $5.2 million or 3.5% in fiscal year 2013.

Tuition and Fees

Tuition and fees revenues increased $2.7 million, or 2.5%, and $4.8 million, or 4.5%, in fiscal years 2014 and 2013, respectively. The fiscal year 2014 change was due to stable enrollment plus the College's continued strategic efforts to keep the cost of education affordable with a modest tuition and fees increase of 2.5%. In fiscal year 2013, the increase was attributed to a strategic growth in enrollment coupled with an overall tuition increase of 3.5%.

Student Housing and Fees

In fiscal year 2014, student housing and fees increased by $4.5 million or 10.7% primarily due to a residence hall of 300 beds being placed into service after a major renovation in the previous fiscal year. In addition, an average room and board rate increase of 3.2% contributed to the overall increase.

Student housing and fees revenues decreased by $0.9 million, or 2.0%, in fiscal year 2013. This decrease resulted from a residence hall being taken off-line for the entire fiscal year to undergo a major renovation. As of June 30, 2013, the renovation was substantially complete. This decrease was offset by a 3.0% increase in the room and board rates.

Scholarship Allowance

Scholarship allowance increased by $0.5 million and $1.2 million, in fiscal years 2014 and 2013, representing a 1.7% and 4.6% increase respectively. In both fiscal years, the increases were primarily due to greater amounts of College funded scholarships being awarded to address the increased demand for financial aid.

Scholarship Allowance
(Amounts in thousands)

		2014	2013	2012
State scholarships	$	6,787	6,984	6,724
Federal scholarships		5,451	5,464	5,359
College scholarships		15,257	14,581	13,747
Total scholarships	$	27,495	27,029	25,830

Auxiliary Activities

Auxiliary activities, which are self-supporting activities, accounted for approximately 3.6% and 3.0% of the total operating revenues in fiscal years 2014 and 2013, respectively. Included in auxiliary activities are revenues derived primarily from commissions, student center and conference center operations, 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. Government grants and contracts decreased by $1.9 million or 9.8%, primarily due to some multi-year federal and state grants that ended the previous fiscal year. In fiscal year 2013, government grants and contracts increased $1.4 million or 7.4% primarily due to the increase in federal and state grant activities.

Nonoperating Revenues

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

New Jersey State Appropriations

New Jersey state appropriations represented 23.6% and 25.5% of the total College revenues in fiscal years 2014 and 2013, 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 costs 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 years 2014 and 2013, the gross state support to the College decreased by $0.2 million or 0.4% and $1.1 million or 2.0%, respectively. The base state appropriations remained stable in both fiscal years. The decreases resulted from fringe benefits funded by the State.

The breakdown of the state appropriations at June 30, 2014, 2013, and 2012 is as follows:

State Appropriations (Amounts in thousands)

		2014	2013	2012
State appropriations	$	29,317	29,317	29,317
Fringe benefits		23,762	23,994	25,091
Gross state support	$	53,079	53,311	54,408

Investment Income

Investment income includes interest and dividend income as well as realized and unrealized gains and losses. During fiscal year 2014, the positive performance of the investment portfolio yielded a total return of $4.5 million, an increase of $3.1 million over the previous fiscal year total of $1.4 million.

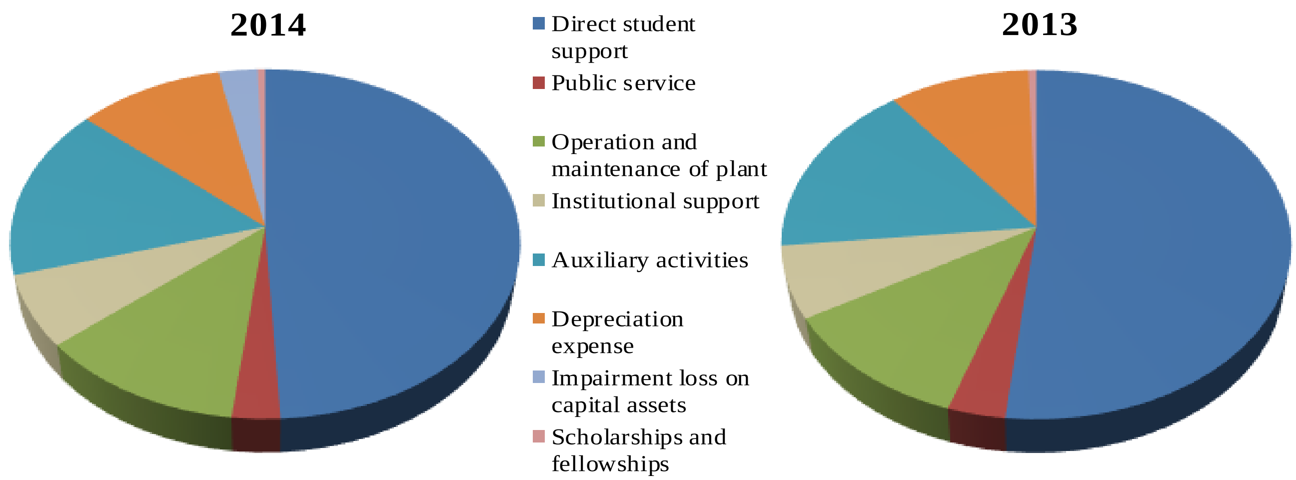
During fiscal year 2013 the positive performance of the investment portfolio yielded a return of $1.4 million, or 4.0% compared to $0.5 million or 1.6% in fiscal year 2012.

Capital Grants and Gifts

Capital grants and gifts totaled $8.6 million in fiscal year 2014 due to the receipt of a number New Jersey State grants to fund the acquisition of academic scientific equipment and various information technology improvements. The revenue for these capital grants is recognized as expenses are incurred. Amounts received from grants for which eligibility requirements have not been met under the terms of the agreements are included in unearned revenue in the statements of net position. In addition, the College received the first payment on a multi-year restricted gift earmarked for a major renovation of the student center. This gift will be recognized as revenue as funds are received and in the possession and control of the College. There were no capital grants and gifts in fiscal year 2013 or 2012.

Expenses

The following is an illustration of operating expenses by function for the fiscal years ended June 30, 2014 and 2013:



	2014		2013	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Instruction and research	$ 66,849	33.7%	$ 66,513	36.2%
Academic support	14,972	7.6%	14,161	7.7%
Student services	15,558	7.8%	14,516	7.9%
Direct student support	97,379	49.1%	95,190	51.8%
Public service	5,511	2.8%	6,138	3.3%
Operation and maintenance of plant	23,811	12.0%	21,216	11.5%
Institutional support	13,228	6.7%	12,296	6.7%
Auxiliary activities	31,494	15.9%	29,864	16.2%
Depreciation expense	20,337	10.3%	18,117	9.9%
Impairment loss on capital assets	5,382	2.7%	—	0.0%
Scholarships and fellowships	1,039	0.5%	1,024	0.6%
	$ 198,181	**100.0%**	**$ 183,845**	**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 year 2014, total operating expenses were $198.2 million, representing an overall increase of $14.3 million or 7.8% over the previous fiscal year total of $183.8 million. Approximately $7.6 million of this increase in operating expenses resulted from increases in the non-cash items of depreciation expense and impairment loss on capital assets. In most of the other 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 2014 and 2013, the change in both functional categories was primarily due to contractual salary and related fringe benefit increases.

Academic Support

In fiscal years 2014 and 2013, the increases of $0.8 million or 5.7% and $0.8 million or 6.1% resulted from expenditures for library acquisitions, computer hardware and software, academic lab equipment plus an increase in salary and fringe benefits, offset by the capitalization of some equipment.

Public Service

This category decreased by $0.6 million or 10.2% in fiscal year 2014 but increased by $0.6 million or 10.0% in fiscal year 2013. Public services represent grant activities and academic enterprise programs geared toward community involvement and benefit, such as the Bonner Center for Civic and Community Engagement and the New Jersey AmeriCorps grants.

Student Services

In fiscal year 2014, student service expenses increased by $1.0 million or 7.2%, but remained relatively stable during fiscal year 2013. The current year increase was primarily due to salary and fringe benefits increases, plus additional investment for commencement activities, disability support services and athletics.

Operation and Maintenance of Plant

Operation and maintenance of plant increased by $2.6 million or 12.2% in fiscal year 2014, mainly due to increases in fuel and utilities costs, coupled with emergency repairs for maintenance projects plus salary and fringe benefit increases. In fiscal year 2013, the decrease of $1.2 million was primarily due to lower fuel and utilities costs because of the expiration of the natural gas hedge program. This decrease was offset by an increase in salary and fringe benefits.

Institutional Support

In fiscal year 2014, the $0.9 million or 7.6% increase in institutional support was primarily due to the strategic funding allocations for the institutional priorities within college advancement for fundraising activities and campus-wide professional staff development. In addition, there were increases in administrative computing for hardware and software and in salary and related fringe benefits.

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

Auxiliary Activities

The $1.6 million or 5.5% increase during fiscal year 2014, in auxiliary activities can be attributed primarily to increased cost of fuel and utilities, salary and fringe benefits, emergency repairs for maintenance projects plus increased cost for housekeeping operations due to a residence hall placed into service after a major renovation the previous fiscal year, and increased participation in the student meal plan.

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

Depreciation Expense

Depreciation expense increased by $2.2 million or 12.3%, and $0.5 million or 3.0%, in fiscal years 2014 and 2013 due to additional capital expenditures in investment in plant which were eligible to be depreciated.

Impairment Loss on Capital Assets

The impairment loss on capital assets of $5.4 million was the result of a change in manner and expected duration of use of an existing building on the campus to be replaced by the construction of a new state-of-the-art science, technology, engineering and mathematics (STEM) facility. In addition, the change in manner and expected duration of use of vacant houses on the property was leased for the construction of Campus Town development.

Nonoperating Expenses

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

Interest Expense

Interest expense is traditionally partially offset by the amount of interest capitalized during the construction phase of major projects. Interest expense increased by $0.3 million or 2.1% and $1.6 million or 10.6% for fiscal years 2014 and 2013, mainly due to the reductions in capitalized interest on the Series 2010 A&B bonds that were used to finance the construction of a new building for the School of Education.

Transactions with Affiliates

The College's affiliates include the College of New Jersey Foundation and the Trenton State College Corporation. Examples of transactions that are reflected in affiliate transfers include: funds disbursed from the Foundation for institutional scholarship support, restricted funds disbursements and transfer of properties. In fiscal year 2014, transactions with affiliates increased by $0.9 million primarily due to Foundation activity for institutional scholarship support and restricted private grants. This increase was offset by a modest decrease in the Corporation's affiliate transfers.

Transactions with affiliates had a net decrease of $0.7 million in fiscal year 2013. This change resulted from a net increase in Foundation activity for institutional scholarship support and restricted funds disbursements. This was offset by a significant decrease in the Corporation's affiliate transfers because in fiscal year 2012 six strategic properties totaling $1.0 million were transferred to the College.

Other Revenues (Expenses), Net

In fiscal year 2014, other nonoperating expenses increased $1.7 million and $0.8 million in fiscal year 2013. Both fluctuations are mainly attributable to the costs associated with a bond issuance or refinancing during the fiscal years.

Operating Margin

In fiscal years 2014 and 2013, operating losses were $41.0 million and $30.7 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 5.0% for the last three fiscal years providing adequate average annual debt service coverage of 2.2 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 allowing it to respond to unforeseen challenges and opportunities. For the fiscal years ending June 30, 2014 and 2013, the College finished with $8.3 million, or 2.4%, increase in net position, in each year. The increase in net position is one indicator that the College's financial health continues to improve, reflecting sound and careful fiscal management across the institution.

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

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

The state and national economy will continue to pose budgetary challenges for the College in the future. However, as a result of strategic planning efforts and a campus-wide commitment to prudent fiscal management, TCNJ is poised to make significant strategic investments over the next several years based on our improved financial position. The following strategic budget priorities were established for fiscal years 2014 and 2015:

- Invest in revenue enhancement initiatives;
- Instructional technology and technology that allows us to improve processes;
- Raise TCNJ's visibility;
- Investments in signature experiences;
- Improve on the 4-year graduation rate and student advising;
- Live a culture of diversity and inclusion;
- Investments in professional development for faculty, staff, and students; and
- Investments in facilities and infrastructure.

The College was included on the list of over $700 million of capital projects signed off by the Governor. The largest portion of our $57 million allocation will be invested in a new building to support science, technology, engineering and mathematics (STEM). The remainder of the $57 million will be used for improvements in the existing science building and acquisition of academic equipment. The state funds combined with institutional dollars and partnership investments in the Campus Town project and the student center renovation and addition, all combined represent over $200 million of capital investments that will be occurring on our campus over the next five years.

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

STATEMENT OF NET POSITION

June 30, 2014

(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	$	50,026	1,321	51,347
Receivables:				
Student accounts, net of allowance of doubtful accounts of $412		1,582	—	1,582
Student loans		857	—	857
Grants		3,471	—	3,471
Due from State of New Jersey (note 5)		3,014	—	3,014
Due from affiliates (note 3)		1,306	—	1,306
Other		2,303	273	2,576
Total receivables		12,533	273	12,806
Investments (notes 4 and 16)		36,494	1,242	37,736
Restricted deposits held with trustees (note 7)		20,482	—	20,482
Prepaid expenses and other assets		704	—	704
Total current assets		120,239	2,836	123,075
Noncurrent assets:				
Student loans receivable, net of allowance of doubtful loans of $385		3,072	—	3,072
Restricted deposits held with trustees (note 7)		38,386	—	38,386
Other assets		—	15	15
Investments (notes 4 and 16)		20,941	1,339	22,280
Restricted investments (notes 4 and 16)		—	28,985	28,985
Prepaid insurance premium costs, net of accumulated amortization of $995		3,200	—	3,200
Capital assets, net (note 6)		587,655	—	587,655
Total noncurrent assets		653,254	30,339	683,593
Total assets		773,493	33,175	806,668
Deferred Outflows of Resources				
Deferred amounts from debt refunding		22,559	—	22,559
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 8)		30,787	381	31,168
Compensated absences – current portion (note 12)		3,547	—	3,547
Due to affiliates (note 3)		37	1,306	1,343
Unearned revenue and student deposits		1,603	—	1,603
Bonds payable – current portion, including net premium of $1,266 (note 9)		10,941	—	10,941
Other long-term obligations – current portion (note 9)		622	—	622
Total current liabilities		47,537	1,687	49,224
Noncurrent liabilities (note 9):				
Compensated absences – noncurrent (note 12)		385	—	385
U.S. and Government grants refundable		4,414	—	4,414
Unearned revenue – noncurrent		8,682	—	8,682
Bonds payable – noncurrent, including net premium of $9,169 (note 9)		368,419	—	368,419
Other long-term obligations (note 9)		7,475	2,104	9,579
Total noncurrent liabilities		389,375	2,104	391,479
Total liabilities		436,912	3,791	440,703
Net Position				
Net investment in capital assets		229,359	—	229,359
Restricted:				
Nonexpendable:				
Scholarships		—	7,092	7,092
Other programs		—	3,021	3,021
Expendable:				
Scholarships		—	12,200	12,200
Research		—	67	67
Debt service and capital		11,260	—	11,260
Other		—	4,083	4,083
Student loans		381	—	381
Unrestricted (note 13)		118,140	2,921	121,061
Total net position	$	359,140	29,384	388,524

See accompanying notes to financial statements.

STATEMENT OF NET POSITION

June 30, 2013

(Amounts in thousands)

Assets		Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Total
Current assets:				
Cash and cash equivalents	$	64,984	1,788	66,772
Receivables:				
Student accounts, net of allowance of doubtful accounts of $132		1,415	—	1,415
Student loans		842	—	842
Grants		3,999	—	3,999
Due from State of New Jersey (note 5)		1,224	—	1,224
Due from affiliates (note 3)		699	—	699
Other		867	389	1,256
Total receivables		9,046	389	9,435
Investments (notes 4 and 16)		18,034	1,356	19,390
Restricted deposits held with trustees (note 7)		11,001	—	11,001
Prepaid expenses and other assets		601	—	601
Total current assets		103,666	3,533	107,199
Noncurrent assets:				
Student loans receivable, net of allowance of doubtful loans of $269		3,036	—	3,036
Restricted deposits held with trustees (note 7)		8,609	—	8,609
Other assets		—	4	4
Investments (notes 4 and 16)		19,956	465	20,421
Restricted investments (notes 4 and 16)		—	24,534	24,534
Prepaid insurance premium costs, net of accumulated amortization of $834		3,362	—	3,362
Capital assets, net (note 6)		592,234	—	592,234
Total noncurrent assets		627,197	25,003	652,200
Total assets		730,863	28,536	759,399
Deferred Outflows of Resources				
Deferred amounts from debt refunding		23,806	—	23,806
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 8)		22,824	380	23,204
Compensated absences – current portion (note 12)		3,298	—	3,298
Due to affiliates (note 3)		87	735	822
Unearned revenue and student deposits		1,929	—	1,929
Bonds payable – current portion, including net premium of $1,331 (note 9)		10,246	—	10,246
Other long-term obligations – current portion (note 9)		466	—	466
Total current liabilities		38,850	1,115	39,965
Noncurrent liabilities (note 9):				
Compensated absences – noncurrent (note 12)		384	—	384
U.S. and Government grants refundable		4,414	—	4,414
Bonds payable – noncurrent, including net premium of $9,719 (note 9)		353,694	—	353,694
Other long-term obligations (note 9)		6,441	2,192	8,633
Total noncurrent liabilities		364,933	2,192	367,125
Total liabilities		403,783	3,307	407,090
Net Position				
Net investment in capital assets		229,996	—	229,996
Restricted:				
Nonexpendable:				
Scholarships		—	6,679	6,679
Other programs		—	1,836	1,836
Expendable:				
Scholarships		—	9,837	9,837
Research		—	85	85
Debt service		1,840	—	1,840
Other		—	3,538	3,538
Student loans		458	—	458
Unrestricted (note 13)		118,592	3,254	121,846
Total net position	$	350,886	25,229	376,115

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2014

(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	$ 112,141	—	112,141
Less tuition scholarship allowances	(21,228)	—	(21,228)
Net student tuition and fees	90,913	—	90,913
Student housing and fees	46,651	—	46,651
Less housing scholarship allowances	(6,267)	—	(6,267)
Net student housing and fees	40,384	—	40,384
Federal grants and contracts	8,813	—	8,813
State of New Jersey grants and contracts	8,823	—	8,823
Auxiliary activities	5,699	—	5,699
Contributions	—	2,252	2,252
Interest on student loans receivable	88	—	88
Other operating revenues	2,485	1,769	4,254
Total operating revenues	157,205	4,021	161,226
Operating expenses:			
Instruction	56,335	—	56,335
Research	10,514	—	10,514
Academic support	14,972	—	14,972
Public service	5,511	—	5,511
Student services	15,558	—	15,558
Operation and maintenance of plant	23,811	—	23,811
Institutional support	13,228	—	13,228
Scholarships and fellowships	1,039	419	1,458
Auxiliary activities	31,494	—	31,494
Fundraising	—	491	491
Depreciation	20,337	—	20,337
Impairment loss on capital assets	5,382	—	5,382
Total operating expenses	198,181	910	199,091
Operating (loss) income	(40,976)	3,111	(37,865)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	29,317	—	29,317
State of New Jersey fringe benefits	23,762	—	23,762
Investment income	4,502	3,795	8,297
Interest expense	(16,730)	—	(16,730)
Transactions with affiliates (note 3)	1,768	(4,068)	(2,300)
Other revenues (expenses), net	(2,005)	(281)	(2,286)
Net nonoperating revenues (expenses)	40,614	(554)	40,060
Income (loss) before other revenues	(362)	2,557	2,195
Additions to permanent endowments	—	1,598	1,598
Capital grants and gifts	8,616	—	8,616
Increase in net position	8,254	4,155	12,409
Net position as of beginning of year	350,886	25,229	376,115
Net position as of end of year	$ 359,140	29,384	388,524

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2013

(Amounts in thousands)

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

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

(Business-Type Activities – College only)

Years ended June 30, 2014 and 2013

(Amounts in thousands)

		2014	2013
Cash flows from operating activities:			
Student tuition and fees	$	90,369	88,329
Federal, State, and local grants and contracts		18,164	19,186
Payments to suppliers		(45,061)	(42,079)
Payments to employees		(96,428)	(92,617)
Payments for benefits		(5,286)	(3,477)
Student housing and auxiliary activities		45,122	40,678
Other receipts, net		4,799	4,619
Net cash provided by operating activities		11,679	14,639
Cash flows from noncapital financing activities:			
New Jersey State appropriations		29,317	29,317
Other receipts (disbursements), net		(177)	332
Net cash provided by noncapital financing activities		29,140	29,649
Cash flows from capital and related financing activities:			
Purchase of capital assets		(25,539)	(26,112)
Net (deposits to) withdrawals from deposits held with trustees		(28,352)	7,603
Proceeds from bond issuance		27,110	—
Capital grants and gifts		6,866	—
Principal payments on bonds and other obligations		(2,306)	(2,289)
Interest payments on bonds and other obligations		(18,611)	(17,368)
Net cash used in capital and related financing activities		(40,832)	(38,166)
Cash flows from investing activities:			
Interest on investments		55	60
Purchases of investments		(15,000)	—
Net cash (used in) provided by investing activities		(14,945)	60
Net change in cash and cash equivalents		(14,958)	6,182
Cash and cash equivalents as of beginning of year		64,984	58,802
Cash and cash equivalents as of end of year	$	50,026	64,984
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(40,976)	(30,672)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		20,337	18,117
Impairment loss on capital assets		5,382	—
State of New Jersey fringe benefits		23,762	23,994
Changes in assets and liabilities:			
Receivables, net		745	1,084
Prepaid expenses		(103)	286
Accounts payable and accrued expenses		2,583	3,112
Accrued salaries		25	(338)
Other accrued expenses		250	55
Unearned revenue and student deposits		(326)	(999)
Net cash provided by operating activities	$	11,679	14,639

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; Humanities and Social Science; Science; Nursing, Health, and Exercise Science; and Engineering). In the fall of 2013, the College enrolled 6,533 full-time equated undergraduate students and 368 full-time equated graduate students. The College has residential facilities that house more than half of the students on campus.

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounting policies of the College conform to all U.S. generally accepted accounting principles as applicable to public colleges and universities.

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

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

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

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

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

(b) Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

(c) Cash and Cash Equivalents

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

(d) Restricted Deposits Held with Trustees

Restricted deposits held with 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 2014 and 2013 reflect a net decrease in fair value of investments of these deposits of $2 and $2, 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, works of art, and infrastructure assets, such as roads and sidewalks. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Building improvements and infrastructure costing over $5,000, equipment items with a unit cost of $3,000 or more, land improvements over $25,000, and software implementation over $100,000 are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service are capitalized.

Notes to the Financial Statements (dollar amounts in thousands)

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

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

Estimated costs to complete the projects classified as construction in progress as of June 30, 2014 are approximately $11,172. Such construction costs are anticipated to be financed by proceeds from long-term debt, capital grants and gifts, and capital reserves.

(g) Revenue Recognition

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

Grant revenue is comprised mainly of funds received from grants from Federal and State of New Jersey sources and is recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants for which eligibility requirements have not been met under the terms of the agreements are included in unearned revenue in the accompanying statements of net position.

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

(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 $1,704 and $1,678 in fiscal years 2014 and 2013, respectively, have not been included in the accompanying financial statements.

(i) Tuition and Fees

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

(j) Operating Activities

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

(k) Student Housing and Fees

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

(l) New Accounting Standards Adopted

In fiscal year 2014, the College adopted two new accounting standards as follows:

GASB Statement No. 66, Technical Corrections – 2012, An Amendment of GASB Statement No. 10 and No. 62 Liabilities (GASB 66), removes the provision in GASB Statement No. 10 that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and modifies the specific guidance in GASB Statement No. 62 on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. There was no impact as a result of adoption of this standard to the College's financial statements.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees (GASB 70), improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. New information must be disclosed by governments that receive nonexchange financial guarantees. There was no impact as a result of adoption of this standard to the College's financial statements.

(m) Income Taxes

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

(n) Use of Estimates

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

(3) Transactions with Affiliates

(a) The College of New Jersey Foundation

The College of New Jersey Foundation, Inc. (the Foundation) has approved payments to the College for restricted private grants and donated capital assets of $4,068 and $2,151 during fiscal years 2014 and 2013, respectively. The College provides certain administrative functions on behalf of the Foundation. The costs were not charged to the Foundation in fiscal years 2014 and 2013. As of June 30, 2014 and 2013, a receivable of $1,306 and $699 was due from the Foundation, respectively. Additional information about the Foundation is presented in note 16 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 2014 and 2013, the College incurred $254 and $295, 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, 2014 and 2013, there were outstanding payables due to the Corporation relating to these expenses of $76 and $128, 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 $312 and $296 for June 30, 2014 and 2013, respectively, of which $39 and $41 were due to the College as of June 30, 2014 and 2013, respectively.

The Corporation had purchased some Transfer Housing facilities in order to provide additional housing for the College's students. During fiscal years 2014 and 2013, 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 2014 and 2013 were $221 and $200, respectively.

(4) Cash, Cash Equivalents and Investments

Cash and cash equivalents were $50,026 and $64,984 as of June 30, 2014 and 2013, respectively, which included $46,029 and $60,384, respectively, held in the State of New Jersey Cash Management fund and $3,992 and $4,595, respectively, held in various accounts at Wells Fargo Bank. Of the amounts held at Wells Fargo Bank, $250 per account was insured by the Federal Deposit Insurance Corporation (FDIC) and the amounts in 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, mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital, dividend paying history, credit history and other evaluation factors. The Cash Management Fund is unrated with a portfolio maturity of less than one year.

The College has an investment policy, approved by the Board of Trustees, that establishes guidelines for permissible investments. The College may invest in equities, real estate assets, inflation hedge and fixed income assets. The Commonfund is a nonprofit provider of intermediate-term fixed income investment products for nonprofit institutional clients.

Notes to the Financial Statements (dollar amounts in thousands)

The College's investments as of June 30, 2014 and 2013 are as follows:

Investments

		2014	2013
Mutual funds:			
Domestic equities	$	16,667	5,359
International equities		6,451	2,601
Real estate		—	407
Fixed income		7,556	3,178
Mutual funds total		30,674	11,545
U. S. Treasury bonds and notes		13,494	10,558
U. S. Government agencies		3,230	6,466
Corporate bonds		7,602	6,959
Municipal bonds		1,329	1,326
Money market fund		958	990
Commonfund – Intermediate-term fund		148	146
Total	$	57,435	37,990

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). As of June 30, 2014 and 2013, the College's fixed income investments were rated as follows:

Fixed Income Investments Ratings 2014

Rating		Total	U. S. Treasury bonds and notes	U. S. Government agencies	Corporate bonds	Municipal bonds	Money market fund
Aaa	$	17,682	13,494	3,230	—	—	958
Aa1		572	—	—	—	572	—
Aa2		975	—	—	343	632	—
A1		3,069	—	—	3,069	—	—
A2		2,615	—	—	2,615	—	—
A3		887	—	—	887	—	—
Baa1		228	—	—	228	—	—
Baa2		460	—	—	460	—	—
NR		125	—	—	—	125	—
Total	$	26,613	13,494	3,230	7,602	1,329	958

Notes to the Financial Statements (dollar amounts in thousands)

Fixed Income Investments Ratings 2013							
Rating		Total	U. S. Treasury bonds and notes	U. S. Government agencies	Corporate bonds	Municipal bonds	Money market fund
Aaa	$	18,014	10,558	6,466	—	—	990
Aa1		799	—	—	232	567	—
Aa2		635	—	—	—	635	—
Aa3		1,939	—	—	1,939	—	—
A1		1,705	—	—	1,705	—	—
A2		2,434	—	—	2,434	—	—
A3		649	—	—	649	—	—
NR		124	—	—	—	124	—
Total	$	26,299	10,558	6,466	6,959	1,326	990

The fixed income mutual funds of $7,556 and $3,178, as of June 30, 2014 and 2013, respectively, were not rated.

The College's investment policy requires the following limits:

- Corporate notes and bonds – Issuers must have a long-term rating of at least A- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase.
- Certificates of deposit – Issuers must have a minimum short-term rating of A-1 by Standard & Poor's or P1 by Moody's or a minimum long-term rating of A- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase.
- Commercial paper – Issuers must have a short-term rating of at least A-1 by Standard & Poor's or P1 by Moody's. The maximum maturity of any investment in this sector is limited to 270 days from time of purchase.
- Bankers' acceptances – Issuers must have a short-term rating of at least A-1 by Standard & Poor's and P1 by Moody's. The maximum maturity of any investment in this sector is limited to 180 days from time of purchase.
- No single corporate issuer shall exceed 5% of the College's portfolio.
- Municipal debt obligations – Issuers must have a long-term rating of at least A- by Standard & Poor's or A3 by Moody's. The maximum maturity of any investment in this sector is limited to five years from time of purchase. No single issuer shall exceed 5% of the College's portfolio.
- Repurchase agreements – No single repurchase agreement counterparty shall exceed 15% of the College's portfolio. The maximum maturity of any investment in this sector is limited to 90 days at time of purchase.
- Money market funds – Funds must be rated AAm by Standard & Poor's or Aa-mf by Moody's. No single fund in this category shall exceed 15% of the College's portfolio.

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, 2014 and 2013, the College's fixed income investments had maturity dates as follows:

Fixed Income Investments Maturity 2014

Maturing in years		Total	U. S. Treasury bonds and notes	U. S. Government agencies	Corporate bonds	Municipal bonds	Money market fund
Less than 1	$	5,673	2,375	1,104	31	1,205	958
1 – 5		20,483	11,119	1,669	7,571	124	—
6 – 10		457	—	457	—	—	—
Total	$	26,613	13,494	3,230	7,602	1,329	958

Fixed Income Investments Maturity 2013

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

(5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2014 and 2013:

Due from State of New Jersey

		2014	2013
FICA benefit reimbursement	$	1,016	492
Alternative Benefit Programs (ABP)		767	732
Capital grants		1,231	—
Total	$	3,014	1,224

Notes to the Financial Statements (dollar amounts in thousands)

(6) Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 was as follows:

Capital Assets 2014					
2014		Beginning balance	Additions	Transfers/ retirements	Ending balance
Nondepreciable assets:					
Land	$	22,148	—	—	22,148
Works of art/historical treasures		392	200	—	592
Construction in progress		37,100	19,751	(41,290)	15,561
Total nondepreciable assets		59,640	19,951	(41,290)	38,301
Depreciable assets:					
Land improvements		230	—	—	230
Buildings		541,406	—	(6,332)	535,074
Building improvements		79,654	714	31,655	112,023
Infrastructure		51,290	699	3,978	55,967
Equipment and other assets		73,357	2,244	274	75,875
Total depreciable assets		745,937	3,657	29,575	779,169
Total capital assets		805,577	23,608	(11,715)	817,470
Accumulated depreciation:					
Land improvements		(165)	(9)	—	(174)
Buildings		(127,590)	(10,857)	3,569	(134,878)
Building improvements		(20,807)	(3,828)	249	(24,386)
Infrastructure		(10,136)	(1,513)	8	(11,641)
Equipment and other assets		(54,645)	(4,130)	39	(58,736)
Total accumulated depreciation		(213,343)	(20,337)	3,865	(229,815)
Capital assets, net	$	592,234	3,271	(7,850)	587,655

Notes to the Financial Statements (dollar amounts in thousands)

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

As of June 30, 2014 and 2013, the College's bond obligations were collateralized by buildings and equipment with book values of $503,583 and $465,099, respectively. During fiscal years 2014 and 2013, interest income on bond construction funds for Series 2010 A, 2010 B, and 2013 A bonds was $11 and $15, respectively. Interest expense on these same bond funds was $1,112 for 2014 and $1,210 for 2013. Net interest costs of $1,101 and $1,195, for fiscal years 2014 and 2013, respectively, were capitalized and included in construction in progress.

(7) Restricted Deposits Held with Trustees

Deposits held with trustees represent restricted funds held by U.S. Bank and BNY Mellon (the trustees), under the terms of various lease agreements, bond indentures and grant agreements. Deposits held with trustees are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2014 and 2013, deposits held with trustees include the following:

Notes to the Financial Statements (dollar amounts in thousands)

Deposits Held with Trustees			
		2014	2013
Construction funds	$	27,436	8,609
Grant related deposits		10,950	—
Debt service (principal and interest)		20,482	11,001
Total	$	58,868	19,610

As of June 30, 2014 and 2013, the College's deposits held with 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 trustees maturities as of June 30, 2014 and 2013:

Deposits Held with Trustees					
			2014 Investment maturities (in years)		
Investment type		Fair value	Less than 1	1 to 2	More than 2
Money market funds	$	31,547	31,547	—	—
U. S. Treasury notes and government securities		27,321	27,321	—	—
Total	$	58,868	58,868	—	—

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

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2014 and 2013:

Accounts Payable and Accrued Expenses			
		2014	2013
Bond principal and interest	$	18,680	11,001
Vendors		6,589	4,006
Accrued salaries and benefits		3,719	3,694
Accrued expense – construction		1,799	4,123
Total	$	30,787	22,824

Notes to the Financial Statements (dollar amounts in thousands)

(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.

The following is a breakout of bonds payable and other long-term obligations, as of June 30, 2014 and 2013:

Bonds Payable and Other Long-Term Obligations		2014	2013
Bonds payable:			
New Jersey Educational Facilities Authority:			
2008 Series D (interest 4.00% to 5.00%, due serially starting on July 1, 2010 to July 1, 2028)	$	151,930	156,335
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)		890	1,755
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)		22,610	26,255
2013 Series A (interest 4.00% to 5.00%, due serially starting on July 1, 2016 to July 1, 2033)		12,320	—
2013 Series A (interest 5.00%, maturing on July 1, 2038)		5,545	—
2013 Series A (interest 5.00%, maturing on July 1, 2043)		7,085	—
Subtotal bonds payable		368,925	352,890
Add:			
Bond premium		10,435	11,050
Total bonds payable	$	379,360	363,940
Other long-term obligations:			
Dormitory Safety Trust Fund (interest 0%, maturing on January 15, 2018)	$	296	414
Higher Education Capital Improvement Fund (interest 4.52% to 5.25%, maturing on August 15, 2022)		6,299	6,493
Higher Education Equipment Leasing Fund (interest 5.00%, maturing on May 1, 2023)		1,502	—
Total other long-term obligations	$	8,097	6,907

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, 2014:

Principal and Interest Repayments		Bond Principal	Other long-term obligations principal	Bond interest	Other long-term obligations interest
Year ending June 30:					
2015	$	9,675	622	19,137	378
2016		10,735	671	18,717	328
2017		11,520	611	18,182	300
2018		12,185	641	17,603	271
2019		13,080	639	17,028	242
2020-2024		76,335	4,913	74,481	569
2025-2029		83,550	—	53,916	—
2030-2034		104,755	—	30,358	—
2035-2039		38,580	—	7,096	—
2040-2043		8,510	—	944	—
	$	368,925	8,097	257,462	2,088

Noncurrent liabilities activity for the years ended June 30, 2014 and 2013 is as follows:

Noncurrent Liabilities Activity 2014		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	3,682	684	(434)	3,932	3,547
U.S. and Government grants refundable		4,414	—	—	4,414	—
Unearned revenues and student deposits		1,929	9,948	(1,592)	10,285	1,603
Bonds payable, net		363,940	25,707	(10,287)	379,360	10,941
Other long-term obligations		6,907	1,656	(466)	8,097	622
Total noncurrent liabilities	$	380,872	37,995	(12,779)	406,088	16,713

2013		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	3,324	618	(260)	3,682	3,298
U.S. and Government grants refundable		4,414	—	—	4,414	—
Bonds payable, net		367,121	—	(3,181)	363,940	10,246
Other long-term obligations		7,356	—	(449)	6,907	466
Total noncurrent liabilities	$	382,215	618	(3,890)	378,943	14,010

In December 2013, the NJEFA issued tax-exempt Series 2013 A Revenue Bonds to finance a capital project consisting of demolition of an existing academic building, including all site clearance, site work and utility upgrades; construction, equipping and furnishing of a new STEM academic facility, including all related utility and site work; to fund capitalized interest on the bonds for approximately twenty-four (24) months; and pay certain costs incidental to the issuance. The serial bonds totaling $12,320 carry coupon rates ranging from 4.0% to 5.0% and maturing through July 1, 2033. The rest of the bonds totaling $12,630 are term bonds with coupon rates of 5.0% and maturing through July 1, 2043. The bonds were issued with a premium of $757 and the College incurred $290 in bond issue cost which was expensed in fiscal year 2014.

(10) Benefits Paid by the State of New Jersey

The State, through separate appropriations pays certain fringe benefits, principally healthcare and pension costs and FICA taxes, on behalf of College employees and retirees. The costs of these benefits, $23,762 and $23,994 in 2014 and 2013, 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.

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.

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.

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.

Notes to the Financial Statements (dollar amounts in thousands)

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pretax basis. Employer contributions for the ABP are 8%. During the years ended June 30, 2014 and 2013, ABP investment carriers received employer and employee contributions as follows:

ABP Employer and Employee Contributions			
		2014	2013
Employer contributions	$	4,512	4,334
Employee contributions		5,975	6,249
Participating employees' salaries		56,399	54,175

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 2014 or 2013. The employer contributions made during fiscal years 2014 and 2013 were $64 and $44, 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 $385 and $384 as of June 30, 2014 and 2013, respectively, which is reflected in compensated absences in the accompanying financial statements.

Notes to the Financial Statements (dollar amounts in thousands)

The College is required to pay non-faculty employees for their accumulated vacation time upon their separation or retirement. These liabilities were $3,126 and $2,873 as of June 30, 2014 and 2013, 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, 2014 and 2013 liabilities of $421 and $425, respectively, were included in compensated absences in the accompanying financial statements.

(13) Unrestricted Net Position

As discussed in note 2, net position is required to be classified for accounting and reporting purposes into one of four net position categories according to externally imposed restrictions. Unrestricted net position, as defined by GASB Statement No. 35, is not subject to externally imposed stipulations, however, they are subject to internal designations. The College has a Board of Trustees approved reserves policy, the purpose of which is to ensure the financial sustainability of the mission, programs and ongoing operations of the College. The policy outlines the accounting for, funding of and authorized use of the funds available in unrestricted net position. All unrestricted net position of the College as of June 30, 2014 and 2013 have been designated by management for working capital reserves for auxiliary operations, educational and general activities, funding for debt service and capital reserves for planned construction efforts.

Unrestricted Net Position

		2014	2013
Educational and general reserves	$	55,409	49,658
Auxiliary reserves		40,970	49,829
Strategic operating reserves		11,996	9,944
Debt service		9,765	9,161
Total	$	118,140	118,592

(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, 2014 and 2013, the College expended $332 and $238, respectively, for government and public relations, and $220 and $187, respectively, for legal fees.

Notes to the Financial Statements (dollar amounts in thousands)

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

Component Unit

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

Investments

The Foundation has an investment policy, which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, bonds and bond funds and alternative investments. Investments consist of the following as of June 30, 2014 and 2013:

Foundation Investments			
		2014	2013
Cash and cash equivalents	$	1,182	1,323
U.S. Treasury bills and notes and Government agencies		2,168	2,566
Corporate bonds		471	469
Mutual funds		19,488	4,578
Equities		6,929	14,597
Alternative investments		1,328	2,822
Total	$	31,566	26,355

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's).

Notes to the Financial Statements (dollar amounts in thousands)

As of June 30, 2014, 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 2014

Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$	2,228	1,489	679	60
Aa1		8	—	—	8
Aa2		46	—	—	46
Aa3		23	—	—	23
A1		32	—	—	32
A2		53	—	—	53
A3		79	—	—	79
Baa1		62	—	—	62
Baa2		71	—	—	71
Baa3		37	—	—	37
Total	$	2,639	1,489	679	471

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

Foundation Fixed Income Investments Ratings 2013

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

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 an investment. The Foundation's investment policy provides limitations in the maturities of various types of investments. As of June 30, 2014, 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 2014					
Maturing in years		**Total**	**U.S. Treasury bills and notes**	**U.S. Government agencies**	**Corporate bonds**
Less than 1	$	60	15	—	45
1 – 5		1,203	808	94	301
6 – 10		580	485	7	88
Greater than 10		796	181	578	37
Total	$	2,639	1,489	679	471

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

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

(17) Risk Management

The College is exposed to various risks of loss. The College purchased and funds property and casualty insurances through a joint insurance program with the nine State of New Jersey Public Colleges and Universities. The College's risk management program involves insurance for all property risk in the joint insurance program and all liability risk and employee benefit exposures are self-funded programs maintained and administered by the State of New Jersey (including tort liability, auto liability, trustees and officers liability, workers' compensation, unemployment, temporary and long term disability, unemployment liability, life insurance and employee retirement programs).

Buildings, plants, and equipment and lost revenue are fully insured on an all risk replacement basis to the extent that losses exceed $100 per occurrence with a per occurrence limit of $1,500,000. Money and securities coverage provides for the actual loss in excess of $25 with a per loss limit of $5,000. In addition to the insurance purchased and maintained through the consortium, the College maintains two additional policies. The first is a student professional liability policy with a limit of $2,000 per claim and a $5,000 aggregate. The second is a museum collection and temporary loans policy with a $500 limit.

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

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

(18) Campus Town Development

The College is participating in a public-private partnership with a private real estate corporation to develop approximately 13 acres of land adjacent to the College into a mixed use retail/student housing complex. This project, called Campus Town, which is projected to cost approximately $85 million, was made possible pursuant to the provisions of the New Jersey Economic Stimulus Act of 2009. The partnership has been structured to include no direct financial obligation of the College to support the project. Planning, design, construction, operation, preventative maintenance and capital renewal of the project are all borne by the developer.

The Ground Lease for Campus Town was executed by all parties at closing on April 4, 2014. The term of the Ground Lease is 50 years and the Developer agrees to make Basic Rent payments of $400,000 on the rent commencement date (earlier of first day of twenty-fifth calendar month following month in which the initial Certificate of Occupancy date occurs or in which the Outside Completion date occurs) in accordance with the lease agreement, increasing by an Additional Applicable Increase Rent of $25,000 annually for the duration of the Ground Lease term. In addition to the Basic and Applicable Increase Rent, after the seventh year of the lease, the Developer will also pay Supplemental Rent in accordance with the lease agreement. The developer will set rental rates for the student housing units and the College will treat this similarly to other off-campus housing it does not own and manage. There were no rental payments by the developer during fiscal year 2014. The College will not be providing any financial assistance to the developer. Upon expiration of the lease term the premises will revert to the College.

The project is in the midst of construction, is ahead of schedule and is expected to open for student housing in August 2015 for the fall semester of 2015. Bond rating agencies do not include any Campus Town debt in their calculations of the College's debt burden given the state's legislation prohibiting the College from financing any portion of Campus Town, or being financially obligated.

The College entered into an agreement on April 4, 2014 to lease a space from the Developer to operate a fitness center on the Campus Town premises. The lease term is 10 years with two options to renew for an additional five years. The Base Rent for year one is $195,500 annually plus Additional Rent equal to the College's percentage of the cost of expenses as included in the lease agreement. Future years' Base Rent will also increase in accordance with the lease agreement. Rental payments do not begin until either Possession Date or Rent Commencement Date occurs in accordance with the lease agreement. There were no rental payments by the College during fiscal year 2014.