



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

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

June 30, 2010

(With Independent Auditors' Reports Thereon)

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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 year ended June 30, 2010 with fiscal years 2009 and 2008 data presented for comparative purposes. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and Government Accounting Standards Board (GASB) principles. The MD&A section is design to focus on current activities, resulting changes and currently known facts, and should be read in conjunction with the accompanying financial statements and notes thereto. Responsibility for the accuracy of the information and the completeness and fairness of its presentation, including all disclosures, rests with the management of the College.

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

College Overview

The College of New Jersey is a highly selective institution that has earned national recognition for its commitment to excellence. Founded in 1855, TCNJ has become an exemplar of the best in public higher education and is consistently acknowledged as one of the top comprehensive colleges in the nation. The College currently is ranked as one of the 75 "Most Competitive" schools in the nation by *Barron's Profiles of American Colleges* and is rated the No. 1 public institution in the northern region of the country by *U.S. News & World Report*, in the Best Regional Universities category. TCNJ was awarded a Phi Beta Kappa chapter, an honor shared by less than 10% of colleges and universities nationally. Additionally, the College was named to the President's Higher Education Community Service Honor Roll, the highest federal recognition a college or university can receive for its commitment to volunteering, service-learning, and civic engagement.

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

In the fall of 2009, TCNJ enrolled 6,141 full-time equivalent undergraduate students and 422 in full-time graduate students. The College has residential facilities that housed more than half of the students on campus.

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

Governance

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

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

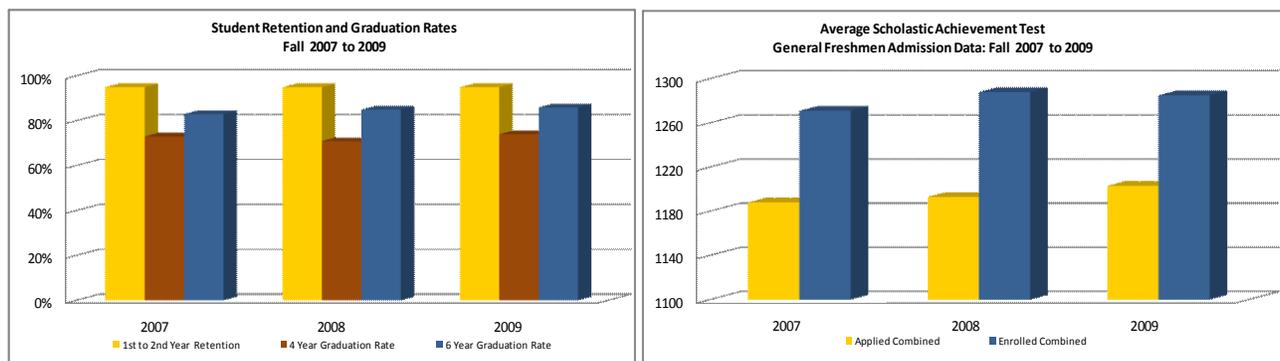
Academic Profile

Faculty

In fall 2009, the College's overall full-time equivalent (FTE) faculty count was 482. Approximately 72% of the total faculty FTE was full-time (348) and the remaining 28% (134) included permanent part-time faculty, adjunct, and teaching professional staff. Faculty FTE is equated at 24 faculty weighted hours per year. During this same period, the total enrollment FTE was 6,563 and the student to faculty ratio was 13:1. Seventy percent of the full-time faculty is tenured and 88% have a doctorate or other terminal degree. The College does not employ graduate teaching assistants and that increases faculty involvement in the curriculum and enriches student learning.

Student

The College enjoys a healthy student demand and continues to attract academically talented students. The fall 2009 full-time freshmen class enrolled 1,284 students yielding a 30% matriculation ratio based upon a 46% acceptance ratio for 9,283 applicants. For fall 2009, the average Scholastic Aptitude Test (SAT) for the general admitted group was a combined 1285. The 95% freshman to sophomore retention rate demonstrates a high level of student satisfaction. The level of academic engagement is reflected in the high four year and six year graduation rates. Currently, 95% of the freshmen class and 58% of all undergraduate students live on campus.



The 2009–2010 academic year concluded with the awarding of 1,445 bachelor's degrees, 333 master's degrees, and 97 pre-/post-master's certifications.

Using the Financial Statements

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

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

Some significant aspects of the financial statements are as follows:

- Revenues and expenses are categorized as either operating or 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 \$39.2 million and \$47.9 million for the years ended June 30, 2010 and 2009, 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, 2010 and 2009, scholarship allowance totaled \$25.1 million and \$23.8 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled \$16.2 million and \$15.6 million for the years ended June 30, 2010 and 2009, respectively.
- Unrestricted net assets comprise various subcategories of designated and committed funds; however, GASB Statement No. 35 prohibits a breakdown of these designations on the face of the statement of net assets. The College has many activities that require a certain level of reserves to be maintained. Examples include working capital reserves for auxiliary operations, educational and general activities, funding for debt service and capital reserves for planned construction efforts.
- The State of New Jersey implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2008. 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 was reported by the State of New Jersey.

Statement of Net Assets

The statement of net assets reflects the assets, liabilities and net assets of the College using the accrual basis of accounting, and presents the financial position of the College at the end of fiscal years 2010 and 2009. Assets, excluding capital assets, are generally carried at estimated fair market value, net realizable value, or amortized cost. Capital assets are carried at cost and are depreciated over their respective useful life.

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

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

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

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

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to ascertain how much the College owes external parties or employees. A summary of the College's assets, liabilities, and net assets at June 30, 2010, 2009, and 2008 are as follows:

Assets, Liabilities and Net Assets			
(Amounts in thousands)			
	2010	2009	2008
Assets:			
Current assets	\$ 109,631	110,559	97,301
Noncurrent assets	642,326	594,980	596,775
Total assets	751,957	705,539	694,076
Deferred Outflow	3,580	4,329	—
Liabilities:			
Current liabilities	36,417	37,061	31,131
Noncurrent liabilities	387,119	348,169	351,979
Total liabilities	423,536	385,230	383,110
Net assets:			
Invested in capital assets, net of related debt	248,473	254,588	249,506
Restricted for:			
Student loans	323	363	573
Unrestricted	83,205	69,687	60,887
Total net assets	\$ 332,001	324,638	310,966

Statement of Net Assets Financial Highlights

Assets

During fiscal years 2010 and 2009, the College's total assets increased by \$46.4 million or 6.6% and \$11.5 million or 1.7%, respectively.

Cash and Cash Equivalents

In fiscal year 2010, cash and cash equivalents decreased by \$9.1 million, or 10.5%, primarily due to the transfer of cash to be invested U.S. Treasury notes based on the investment policy and guidelines that was approved by the Board of Trustees. This decrease was offset by cash receipts from operations plus reimbursements from deposits held by bond trustees for capital expenses paid in the previous year.

Management's Discussion and Analysis

June 30, 2010 and 2009

In fiscal year 2009, cash and cash equivalents increased by \$37.9 million, or 77.6%, primarily due to the transfer of investments that matured coupled with cash receipts that included interest income plus cash reimbursements from deposits held by bond trustees for capital expenses paid in the previous year. This increase was offset by cash disbursements of capital expenditures and operations including debt service payments.

Deposits Held With Bond Trustees

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

During fiscal year 2009, deposits held with bond trustees decreased by \$37.2 million, or 46.2%, primarily due to the reimbursements from the construction fund for capital expenditures. This was offset by interest earnings on the construction fund.

Deferred Financing Costs

During fiscal years 2010 and 2009, deferred financing costs decreased by \$1.4 million and \$2.2 million, respectively due to the amortization of bond issue costs. These deferred costs are being amortized over the remaining life of the bonds.

Capital Assets

During fiscal years 2010 and 2009, capital assets had net increases of \$25.8 million and \$41.7 million respectively, primarily due to construction projects that were mainly funded by various bond issues. The increases were offset by increases in accumulated depreciation.

Liabilities

Current Liabilities

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

In fiscal year 2009, the College's current liabilities increased by \$5.9 million, or 19.0% primarily due to the natural gas forward contracts along with increases due to the receipt of invoices for construction projects plus goods and services that were accrued for at the end of each year.

Noncurrent Liabilities

During fiscal year 2010, noncurrent liabilities increased by \$38.9 million, or 11.2%. The increase was primarily due to \$44.5 million in additional principal for the Series 2010 A & B bonds that were issued to finance the construction of a new building for the school of education along with the recording of natural gas forward contracts. This increase was offset by the current year repayment of principal on various other bond issues.

Noncurrent liabilities decreased by \$3.8 million, or 1.1%, in fiscal year 2009 primarily due to the repayment of outstanding principal on various bond issues.

Net Assets

The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year. During fiscal years 2010 and 2009, net assets increased by \$7.4 million, or 2.3%, and \$13.7 million, or 4.4%, respectively. In both fiscal years, the increases were directly related to the College's positive operating surpluses.

Current Ratio

The current ratio 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. In fiscal years 2010 and 2009, the College's current ratios were 3:1 and 3:1, respectively. This was a clear indication that the College had more than adequate liquidity to satisfy its current obligations.

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the revenues earned and the expenses incurred during the year, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. 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 assets is more indicative of the overall financial results for the fiscal year.

Management's Discussion and Analysis

June 30, 2010 and 2009

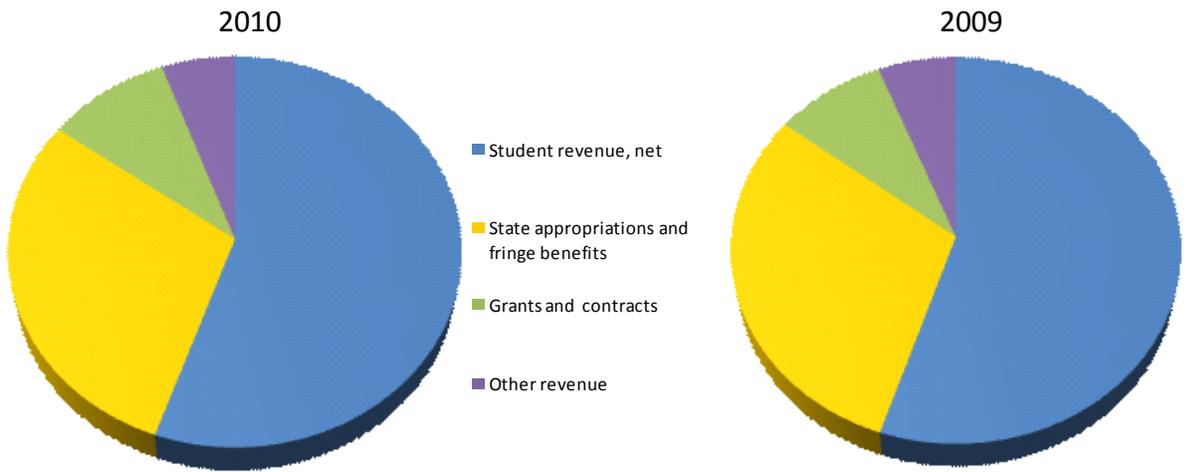
The statement of revenues, expenses, and changes in net assets reflect positive performances over the last three years with increases in net assets at the end of each year. A summary of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2010, 2009, and 2008 is as follows:

Revenues, Expenses and Changes in Net Assets			
(Amounts in thousands)			
	2010	2009	2008
Net student revenues	\$ 105,375	103,349	93,020
Government grants and contracts	18,041	16,102	17,058
Auxiliary activities	4,197	4,543	4,503
Other	6,126	3,762	2,688
Operating revenues	<u>133,739</u>	<u>127,756</u>	<u>117,269</u>
Instruction and research	60,948	58,405	54,451
Auxiliary activities	25,948	26,543	25,165
Institutional support	10,591	10,375	12,198
Operation and maintenance of plant	21,359	21,446	15,893
Student services	12,654	12,144	11,555
Academic support	12,579	12,459	11,266
Depreciation	16,169	15,588	14,367
Other	5,281	5,062	5,501
Operating expenses	<u>165,529</u>	<u>162,022</u>	<u>150,396</u>
Operating loss	<u>(31,790)</u>	<u>(34,266)</u>	<u>(33,127)</u>
NJ State and government appropriations	56,234	56,777	57,366
Other expenses, net	(17,081)	(8,839)	(8,508)
Net nonoperating revenues	<u>39,153</u>	<u>47,938</u>	<u>48,858</u>
Increase in net assets	<u>7,363</u>	<u>13,672</u>	<u>15,731</u>
Net assets, beginning of year	324,638	310,966	295,235
Net assets, end of year	<u>\$ 332,001</u>	<u>324,638</u>	<u>310,966</u>

Statement of Revenues, Expenses, and Changes in Net Assets 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, 2010 and 2009 (amounts in thousands):



	2010		2009	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Student revenue, net	\$ 105,375	55.4%	\$ 103,349	55.1%
State appropriations and fringe benefits	56,234	29.6%	56,777	30.3%
Grants and contracts	18,041	9.5%	16,102	8.6%
Other revenue	10,615	5.5%	11,267	6.0%
	<u>\$ 190,265</u>	<u>100.0%</u>	<u>\$ 187,495</u>	<u>100.0%</u>

Operating Revenues

Net Student Revenues

Net student revenues, which included tuition, housing, and fees revenues (less scholarship allowance), are the most significant source of operating revenue for the College, accounting for 78.8% and 80.9% of total operating revenue in fiscal years 2010 and 2009, respectively.

Tuition and Fees

Tuition and fees revenues increased \$2.1 million, or 2.3%, and \$9.1 million, or 11.1%, in fiscal years 2010 and 2009, respectively. These increases were attributed to the general tuition increases of 3.0% and 8.0% in fiscal years 2010 and 2009, respectively. In fiscal year 2009, a change in financial reporting to separate summer school activities based on the completion dates of each program, accounted for the significant increase of fiscal year 2009 revenues versus the fiscal year 2010.

Student Housing and Fees

Student housing and fees revenues increased \$1.2 million, or 3.4%, and \$2.1 million, or 6.1%, in fiscal years 2010 and 2009, respectively. The fiscal year 2010, increase can be attributed to the room and board increase of approximately 4.0% offset by a modest reduction in room occupancy levels. The fiscal year 2009 increase was mainly due to the room and board increase of approximately 4.0% coupled with an increased demand for student housing and more students selecting higher carte blanche meal plans.

Scholarship Allowance

In fiscal years 2010 and 2009, scholarship allowance had net increases of \$1.3 million, or 5.4% and \$0.8 million, or 3.7%, respectively, primarily due to increases in the College funded scholarships, State funded Tuition Aid Grant (TAG) and Federal Pell Grants. This increase was offset by the reduction in other State funded scholarship programs. A summary of the scholarship allowance for the years ended June 30, 2010, 2009, and 2008 is as follows:

Scholarship Allowance				
(Amounts in thousands)				
		2010	2009	2008
State scholarships	\$	7,875	8,066	9,103
Federal scholarships		4,705	3,541	3,131
College scholarships		12,522	12,212	10,746
Total scholarships	\$	25,102	23,819	22,980

Auxiliary Activities

Auxiliary activities, which are self supporting activities, accounted for approximately 3.1% and 3.6% of the total operating revenues in fiscal years 2010 and 2009, respectively. Included in auxiliary activities are revenues derived primarily from commissions, conference and meeting services, and summer camp activities.

Government Grants and Contracts

The College recognizes revenues associated with the direct costs of grants and contracts as the related expenditures are incurred. In fiscal year 2010, Government grants and contracts revenue increased by \$1.9 million, or 12.0%, primarily due to the increase in federal grant funding from the National Science Foundation. This increase was offset by an overall reduction in state funded grant activities.

Management's Discussion and Analysis

June 30, 2010 and 2009

In fiscal year 2009, Government grants and contracts revenue decreased by \$1.0 million, or 5.6%, primarily due to a reduction in state grant revenues. The decrease in the state grant revenues was primarily due to various state funded grants coming to a close during fiscal year 2009, coupled with the elimination of funding for the OSRP program. This decrease was offset by increased funding for New Jersey Stars II and TAG plus revenues generated by some new state grants such as New Jersey State Development and Redevelopment Plan and the Mobility and Community Form grant. The increase in the federal grant revenues was generated primarily by the Federal TEACH and Pell Grants.

Nonoperating Revenues

New Jersey State Appropriations

New Jersey state appropriations represented 29.6% and 30.3% of the total College revenues in fiscal years 2010 and 2009, respectively. The level of state support is therefore a key factor influencing the College's overall financial condition. The state appropriations include amounts appropriated by the State legislature and employees' fringe benefits paid by the state.

The College reimburses the state for the fringe benefit cost of the employees whose salaries are funded by sources other than general operating funds. Even though state appropriations are considered nonoperating revenue, the total amount supports operating expenses.

In fiscal year 2010, the gross state support to the College decreased by \$0.5 million, or 1.0%, due to a 5.2% reduction to the base appropriation which was offset by an increase in fringe benefits funded by the State.

In fiscal year 2009, the gross state support to the College had a net decrease of \$0.5 million, or 1.0%, due to a 7.6% reduction in the base appropriation which was offset by an increase in fringe benefits funded by the State.

The breakdown of the state appropriations at June 30, 2010, 2009, and 2008 is as follows:

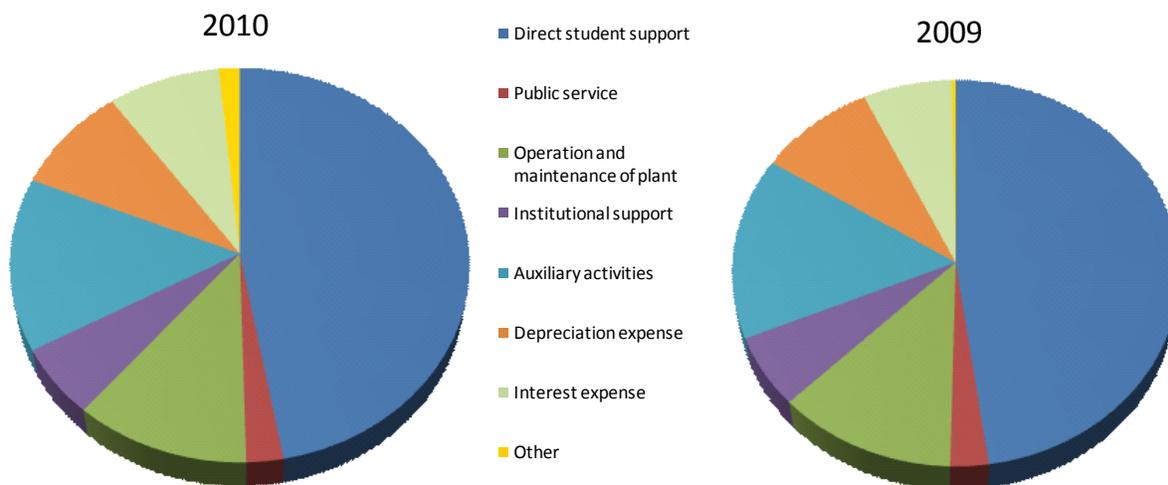
State Appropriations (Amounts in thousands)				
		2010	2009	2008
State appropriations	\$	32,451	34,215	37,040
Fringe benefits		23,783	22,562	20,255
Gross state support	\$	56,234	56,777	57,295

Investment Income

The tumultuous performance of the financial markets during fiscal years 2010 and 2009 which resulted in dramatic interest rates reductions by the Federal Reserve significantly impacted College's investment returns. In fiscal years 2010 and 2009, investment income decreased by \$1.3 million and \$3.6 million, respectively.

Expenses

The following is an illustration of expenses by function (both operating and nonoperating) for the fiscal years ended June 30, 2010 and 2009 (amounts in thousands):



	2010		2009	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Instruction and research	\$ 60,948	33.3%	\$ 58,405	33.6%
Academic support	12,579	6.9%	12,459	7.2%
Student services	12,654	6.9%	12,144	7.0%
Direct student support	\$ 86,181	47.1%	\$ 83,008	47.8%
Public service	\$ 4,491	2.5%	\$ 4,551	2.5%
Operation and maintenance of plant	21,359	11.7%	21,446	12.3%
Institutional support	10,591	5.8%	10,375	6.0%
Auxiliary activities	25,948	14.2%	26,543	15.3%
Depreciation expense	16,169	8.8%	15,588	9.0%
Interest expense	15,342	8.4%	11,801	6.8%
Other	2,821	1.5%	511	0.3%
	<u>\$ 182,902</u>	<u>100.0%</u>	<u>\$ 173,823</u>	<u>100.0%</u>

Operating Expenses

In fiscal years 2010 and 2009, total operating expenses were \$165.5 million and \$162 million, respectively, representing an overall increase of 2.2% and 7.7%, respectively. In most functional categories, the increases resulted from contractual salary and related fringe benefit increases collectively bargained at the State level.

Instruction and Research

The combination of instruction and research represents the College's largest operating expense category. In fiscal years 2010 and 2009, both functional categories had modest increases primarily due to the filling of some vacant faculty positions coupled with contractual salary and related fringe benefit increases.

Academic Support

In fiscal year 2010, academic support remained relatively stable due to contractual salary and related fringe benefit increases that were offset by the capitalization of some academic related equipment. In fiscal year 2009, academic support increased by 10.6% due to salary and related fringe benefit increases, library acquisitions plus additional expenditures from academic self-funded enterprise programs.

Public Service

Public service expenses remained relatively stable with the same level of investment in fiscal years 2010 and 2009.

Student Services

In fiscal years 2010 and 2009, the student services increases were primarily due to contractual salary and related fringe benefit increases coupled with additional investment for the second phase of the student life transformation initiative that will be integrated with the academic transformation.

Operation and Maintenance of Plant

Operation and maintenance of plant remained relatively stable during fiscal year 2010. Increases in fiscal year 2010 due to salary and related fringe benefits were offset by savings generated from the College's energy conservation program.

In fiscal year 2009, the increase in operation and maintenance of plant was primarily due to contractual salary and related fringe benefit increases, investment in campus safety and security plus additional costs for fuel and utilities.

Institutional Support

In fiscal year 2010, institutional support had a modest increase primarily due to expenditures for strategic marketing initiatives and a feasibility study for a fundraising capital campaign. In fiscal year 2009, the institutional support decrease was primarily due to a major non-recurring expenditure from the previous year to upgrade campus-wide information technology network plus the continued savings measures being employed in the administrative areas. This decrease was offset by increases in salary and related fringe benefits.

Auxiliary Activities

In fiscal year 2010, the decrease of \$595 thousand or 2.2% in auxiliary activities was primarily due to reductions in food service expense and fuel and utilities costs. Auxiliary expenses increased by \$1.4 million, or 5.5% in fiscal year 2009, mainly due to contractual salary and related fringe benefits, increased fuel and utilities costs plus higher meal plan rates.

Depreciation Expense

Depreciation expense increased by \$581 thousand, or 3.7%, in fiscal year 2010, due to completed buildings and improvements being transferred out of construction in progress to investment in plant and thus being depreciated.

Nonoperating Expenses

Interest Expense

Interest expense is traditionally offset by the amount of interest capitalized during the construction phase of major projects. In fiscal year 2010, the increase in interest expense was mainly due the issuance of new tax exempt debt plus taxable Build America Bonds to finance the construction of a new academic building for the school of education. The decrease in fiscal year 2009 was due to the net amortization of bonds premium and discount.

Transactions with Affiliates

The College's affiliates include the College of New Jersey Foundation and Trenton State College Corporation. In fiscal year 2010, transactions with affiliates had a net decrease of \$594 thousand. In fiscal year 2009, the increase was mainly due to the transfer of donated fixed assets from the College of New Jersey Foundation.

Other Revenues (Expenses), Net

In fiscal year 2010, other nonoperating expenses increased \$2.8 million, because in the previous fiscal year, there were some non-recurring capital funding receipts for facilities renovation plus the amortization of bond issue costs and other non-capital expenditures. In fiscal year 2009, other nonoperating revenues had a net increase of \$1.3 million. This was mainly due to the receipt of capital funding for facilities renovation offset by the amortization of bond issue costs plus other non-capital expenditures.

Operating Margin

In fiscal years 2010 and 2009, operating losses were \$31.8 million and \$34.3 million, respectively; however, nonoperating revenues offset these operating losses. GASB standards require that state appropriations, which are used solely for operations, be classified as nonoperating, thus creating these significant losses. A measure of the College's operating performance is the operating margin ratio, which considers government appropriations and investment income as operating revenues and interest expense as an operating expense. Our greatest financial strength has been our ability to maintain solid operating balances despite unstable and declining net state support. The College's annual operating margins of 4.9% and 6.6% for fiscal years 2010 and 2009, respectively continues to be strong for a public institution.

Capital Assets

At June 30, 2010, the College had \$546.0 million invested in capital assets, net of accumulated depreciation of \$159.9 million. Depreciation charges totaled \$16.2 million for the current fiscal year. Capital additions are comprised of new construction and renovation of facilities. These additions were funded primarily by capital reserves and proceeds from bonds. The following is a breakdown of the net additions (transfers) for fiscal years ended June 30, 2010, 2009, and 2008:

Capital Additions			
(Amounts in thousands)			
	2010	2009	2008
Additions (transfers):			
Buildings and building improvements	\$ 83,598	2,688	7,555
Infrastructure	1,936	243	10,058
Equipment and other assets	3,587	7,707	3,333
Construction in progress	(47,137)	46,641	2,104
Net total additions	\$ 41,984	57,279	23,050

Long-Term Debt

The use of debt has been a key component in the College's transformation into a highly selective institution that has earned national recognitions for its commitment to academic excellence. The attractiveness of our facilities is also an important factor in our ability to recruit highly qualified students. At June 30, 2010, the College had \$386.2 million in outstanding bonds and other long-term obligations, compared to \$346.6 million at June 30, 2009. TCNJ's debt burden is a function of the State's inability to consistently finance academic infrastructure and the College's strategic choice to invest and reinvest in the campus over the past decade.

In fiscal year 2010, the College issued \$44.5 million in new debt to finance a new state-of-the-art school of education building. The bonds were issued as combination of tax-exempt and taxable Build America Bonds. The Build America Bonds are part of the American Recovery and Reinvestment Act of 2009. The College will receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on these bonds on each interest payment date. No new debt was issued during fiscal year 2009. Additional information about the College's existing long-term liabilities is presented in note 9 to the financial statements. At June 30, 2010, the College's bond ratings were as follows:

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

Economic Factors that Will Affect the Future

The College of New Jersey has a long tradition of effective planning, resource allocation and assessment that has allowed it to continue to improve the quality of its education, strengthening its financial position through positive operating results and respond to future challenges and opportunities. For the fiscal years ending June 30, 2010 and 2009, the College finished with \$7.4 million and \$13.7 million, or 2.3% and 4.4%, increase in net assets, respectively. The increase in net assets is one indicator that the College's financial health continues to improve, reflecting sound and careful fiscal management across the institution.

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

Cognizant of the many demands on the State's limited resources, the College has identified some initiatives that will directly impact its future financial condition. These issues include addressing the increasing demand for institutional scholarships, strategic enrollment management, cost containment initiatives, increasing the investment in academic program excellence, expanding fund-raising activities, investment in facilities, diversifying revenues, enhancing entrepreneurial activity and reviewing the organizational structure to affect financial efficiencies and preserve organizational effectiveness.

We have continued our concerted effort into developing a five-year plan to meet the pressing issues of higher education in general and TCNJ in particular, such issues as:

- the national cry for higher education accountability
- the national and state concerns regarding transparency and ethical engagement
- the state concerns regarding responsiveness to state needs
- the reality of New Jersey's fiscal challenges

Our plan is based on years of mission-based planning, the intensive transformation of our academic enterprise, and the developing transformation of the student affairs enterprise. We are now on the cusp of the important integration of these two transformations to assure that TCNJ continues to meet its mission to prepare the leaders of tomorrow. The initiatives of the five year plan include:

- Positioning the College
- Diversifying and enhancing revenue streams
- Developing facilities to support the College's mission
- Exemplifying accountability and transparency
- Participating in the educational pipeline from pre-kindergarten to lifelong learning
- Enhancing the educational and professional development of our faculty and staff

Through the process of continuing strategic planning and assessment, management believes that the College is well positioned to continue providing excellence in educational programs to our students and service to the State.



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

Independent Auditors' Report

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

The Board of Trustees
The College of New Jersey:

We have audited the accompanying 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, 2010 and 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The College of New Jersey as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the financial statements, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* as of July 1, 2008.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2010 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 1 through 17 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The College has presented certain information in management's discussion and analysis that is not required by U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of Federal and State of New Jersey awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2010 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 basic financial statements taken as a whole.

KPMG LLP

October 26, 2010



STATEMENT OF NET ASSETS

June 30, 2010

(Amounts in thousands)

Assets	Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Total
Current assets:			
Cash and cash equivalents	\$ 77,597	1,791	79,388
Receivables:			
Student accounts, net of allowance of doubtful accounts of \$323	2,099	—	2,099
Student loans	768	—	768
Grants	2,916	—	2,916
Due from State of New Jersey (note 5)	1,186	—	1,186
Other	1,927	115	2,042
Total receivables	8,896	115	9,011
Investments (notes 4 and 17)	4,293	1,506	5,799
Deposits held with bond trustees (note 7)	16,125	—	16,125
Prepaid expenses and other assets	2,720	—	2,720
Total current assets	109,631	3,412	113,043
Noncurrent assets:			
Student loans receivable, net of allowance of doubtful loans of \$281	3,399	—	3,399
Deposits held with bond trustees (note 7)	44,667	—	44,667
Other assets	—	90	90
Investments (notes 4 and 17)	9,996	17,038	27,034
Deferred financing costs, net of accumulated amortization of \$7,188	38,281	—	38,281
Capital assets, net (note 6)	545,983	—	545,983
Total noncurrent assets	642,326	17,128	659,454
Total assets	751,957	20,540	772,497
Deferred outflow			
Natural gas forward contracts (note 16)	3,580	—	3,580
Total deferred outflow	3,580	—	3,580
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (note 8)	24,175	372	24,547
Compensated absences – current portion (note 12)	3,217	—	3,217
Due to/(from) affiliates (note 3)	38	(1)	37
Deferred revenue and student deposits	1,673	—	1,673
Natural gas forward contracts - current portion (note 16)	2,092	—	2,092
Bonds payable – current portion, including net premium of \$646 (note 9)	4,696	—	4,696
Other long-term obligations – current portion (note 9)	526	—	526
Total current liabilities	36,417	371	36,788
Noncurrent liabilities (note 9):			
Compensated absences – noncurrent (note 12)	238	—	238
Natural gas forward contracts - noncurrent (note 16)	1,488	—	1,488
U.S. and Government grants refundable	4,404	—	4,404
Bonds payable – noncurrent, including net premium of \$9,730 (note 9)	373,090	—	373,090
Other long-term obligations (note 9)	7,899	2,362	10,261
Total noncurrent liabilities	387,119	2,362	389,481
Total liabilities	423,536	2,733	426,269
Net Assets			
Invested in capital assets, net of related debt	248,473	—	248,473
Restricted:			
Nonexpendable:			
Scholarships	—	6,667	6,667
Expendable:			
Scholarships	—	4,189	4,189
Research	—	142	142
Other	—	3,693	3,693
Student loans	323	—	323
Unrestricted (note 13)	83,205	3,116	86,321
Total net assets	\$ 332,001	17,807	349,808

See accompanying notes to financial statements.

STATEMENT OF NET ASSETS

June 30, 2009

(Amounts in thousands)

Assets	Business-Type Activities The College of New Jersey	Component Unit of New Jersey Foundation, Inc.	Total
Current assets:			
Cash and cash equivalents	\$ 86,712	1,673	88,385
Receivables:			
Student accounts, net of allowance of doubtful accounts of \$323	1,104	—	1,104
Student loans	749	—	749
Grants	960	—	960
Due from State of New Jersey (note 5)	1,323	—	1,323
Due (to)/from affiliates (note 3)	8	(8)	—
Other	1,334	48	1,382
Total receivables	5,478	40	5,518
Investments (notes 4 and 17)	4,249	1,537	5,786
Deposits held with bond trustees (note 7)	11,541	—	11,541
Prepaid expenses and other assets	2,579	—	2,579
Total current assets	110,559	3,250	113,809
Noncurrent assets:			
Student loans receivable, net of allowance of doubtful loans of \$447	3,410	—	3,410
Deposits held with bond trustees (note 7)	31,746	—	31,746
Other assets	—	89	89
Investments (notes 4 and 17)	—	14,553	14,553
Deferred financing costs, net of accumulated amortization of \$5,242	39,656	—	39,656
Capital assets, net (note 6)	520,168	—	520,168
Total noncurrent assets	594,980	14,642	609,622
Total assets	705,539	17,892	723,431
Deferred outflow			
Natural gas forward contracts (note 16)	4,329	—	4,329
Total deferred outflow	4,329	—	4,329
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (note 8)	25,448	363	25,811
Compensated absences – current portion (note 12)	2,540	—	2,540
Deferred revenue and student deposits	1,693	—	1,693
Natural gas forward contracts - current portion (note 16)	2,388	—	2,388
Bonds payable – current portion, including net premium of \$641 (note 9)	4,486	—	4,486
Other long-term obligations – current portion (note 9)	506	—	506
Total current liabilities	37,061	363	37,424
Noncurrent liabilities (note 9):			
Compensated absences – noncurrent (note 12)	246	—	246
Natural gas forward contracts - noncurrent (note 16)	1,941	—	1,941
U.S. and Government grants refundable	4,404	—	4,404
Bonds payable – noncurrent, including net premium of \$10,243 (note 9)	333,153	—	333,153
Other long-term obligations (note 9)	8,425	3,022	11,447
Total noncurrent liabilities	348,169	3,022	351,191
Total liabilities	385,230	3,385	388,615
Net Assets			
Invested in capital assets, net of related debt	254,588	—	254,588
Restricted:			
Nonexpendable:			
Scholarships	—	6,138	6,138
Expendable:			
Scholarships	—	3,452	3,452
Research	—	142	142
Other	—	1,977	1,977
Student loans	363	—	363
Unrestricted (note 13)	69,687	2,798	72,485
Total net assets	\$ 324,638	14,507	339,145

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2010

(Amounts in thousands)

	Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Total
Operating revenues:			
Student revenues:			
Student tuition and fees	\$ 93,496	—	93,496
Less tuition scholarship allowances	(19,691)	—	(19,691)
Net student tuition and fees	73,805	—	73,805
Student housing and fees	36,981	—	36,981
Less housing scholarship allowances	(5,411)	—	(5,411)
Net student housing and fees	31,570	—	31,570
Federal grants and contracts	9,559	—	9,559
State of New Jersey grants and contracts	8,482	—	8,482
Auxiliary activities	4,197	—	4,197
Contributions	—	1,550	1,550
Interest on student loans receivable	25	—	25
Other operating revenues	6,101	1,297	7,398
Total operating revenues	133,739	2,847	136,586
Operating expenses:			
Instruction	52,635	—	52,635
Research	8,313	—	8,313
Academic support	12,579	—	12,579
Public service	4,491	—	4,491
Student services	12,654	—	12,654
Operation and maintenance of plant	21,359	—	21,359
Institutional support	10,591	—	10,591
Scholarships and fellowships	790	471	1,261
Auxiliary activities	25,948	—	25,948
Fundraising	—	281	281
Depreciation	16,169	—	16,169
Total operating expenses	165,529	752	166,281
Operating (loss) income	(31,790)	2,095	(29,695)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	32,451	—	32,451
State of New Jersey fringe benefits	23,783	—	23,783
Investment income	292	1,694	1,986
Interest expense	(15,342)	—	(15,342)
Transactions with affiliates (note 3)	(67)	(1,196)	(1,263)
Other revenues (expenses), net	(1,964)	293	(1,671)
Net nonoperating revenues (expenses)	39,153	791	39,944
Income before other revenues	7,363	2,886	10,249
Additions to permanent endowments	—	414	414
Increase in net assets	7,363	3,300	10,663
Net assets as of beginning of year	324,638	14,507	339,145
Net assets as of end of year	\$ 332,001	17,807	349,808

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2009

(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	\$ 91,400	—	91,400
Less tuition scholarship allowances	(18,555)	—	(18,555)
Net student tuition and fees	72,845	—	72,845
Student housing and fees	35,768	—	35,768
Less housing scholarship allowances	(5,264)	—	(5,264)
Net student housing and fees	30,504	—	30,504
Federal grants and contracts	6,286	—	6,286
State of New Jersey grants and contracts	9,816	—	9,816
Auxiliary activities	4,543	—	4,543
Contributions	—	1,818	1,818
Interest on student loans receivable	85	—	85
Other operating revenues	3,677	826	4,503
Total operating revenues	127,756	2,644	130,400
Operating expenses:			
Instruction	50,492	—	50,492
Research	7,913	—	7,913
Academic support	12,459	—	12,459
Public service	4,551	—	4,551
Student services	12,144	—	12,144
Operation and maintenance of plant	21,446	—	21,446
Institutional support	10,375	—	10,375
Scholarships and fellowships	511	650	1,161
Auxiliary activities	26,543	—	26,543
Fundraising	—	246	246
Depreciation	15,588	—	15,588
Total operating expenses	162,022	896	162,918
Operating (loss) income	(34,266)	1,748	(32,518)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	34,215	—	34,215
State of New Jersey fringe benefits	22,562	—	22,562
Investment income (loss)	1,624	(1,312)	312
Interest expense	(11,801)	—	(11,801)
Transactions with affiliates (note 3)	527	(1,563)	(1,036)
Other revenues (expenses), net	811	(327)	484
Net nonoperating revenues (expenses)	47,938	(3,202)	44,736
Income before other revenues	13,672	(1,454)	12,218
Additions to permanent endowments	—	1,022	1,022
Increase (decrease) in net assets	13,672	(432)	13,240
Net assets as of beginning of year	310,966	14,939	325,905
Net assets as of end of year	\$ 324,638	14,507	339,145

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

(Business-Type Activities – College only)

Years ended June 30, 2010 and 2009

(Amounts in thousands)

	2010	2009
Cash flows from operating activities:		
Student tuition and fees	\$ 72,782	69,767
Federal, State, and local grants and contracts	16,085	16,133
Payments to suppliers	(19,255)	(13,164)
Payments to employees	(84,211)	(81,179)
Payments for benefits	(1,463)	(1,210)
Student housing and auxiliary activities	15,054	13,707
Other receipts, net	6,126	3,762
Net cash provided by operating activities	5,118	7,816
Cash flows from noncapital financing activities:		
New Jersey State appropriations	32,451	34,215
Other receipts, net	105	414
Net cash provided by noncapital financing activities	32,556	34,629
Cash flows from capital and related financing activities:		
Purchase of capital assets	(41,984)	(54,107)
Net (additions) withdrawals to deposits held with bond trustees	(17,505)	41,770
Bond issuance costs	(626)	—
Proceeds from bond issuance	44,639	—
Principal payments on bonds and other obligations	(4,351)	(3,898)
Interest payments on bonds and other obligations	(17,335)	(16,895)
Net cash used by capital and related financing activities	(37,162)	(33,130)
Cash flows from investing activities:		
Interest on investments	345	1,190
Purchases of investments	(10,000)	(11,000)
Maturities of investments	28	38,395
Net cash (used by) provided by investing activities	(9,627)	28,585
Net change in cash and cash equivalents	(9,115)	37,900
Cash and cash equivalents as of beginning of year	86,712	48,812
Cash and cash equivalents as of end of year	\$ 77,597	86,712
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (31,790)	(34,266)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	16,169	15,588
State of New Jersey fringe benefits	23,783	22,562
Changes in assets and liabilities:		
Receivables, net	(5,102)	1,006
Prepaid expenses	(141)	395
Accounts payable and accrued expenses	2,267	4,567
Accrued salaries	(48)	1,341
Other accrued expenses	—	(19)
Deferred revenue and student deposits	(20)	(3,358)
Net cash provided by operating activities	\$ 5,118	7,816

See accompanying notes to financial statements.

June 30, 2010 and 2009

(1) Organization

The College of New Jersey (the College) is a mid-sized, comprehensive public college that concentrates primarily on the undergraduate experience. Baccalaureate and master's degrees are offered through the academic programs of the College's seven schools (Arts and Communication; Business; Education; Culture and Society; Science; Nursing, Health, and Exercise Science; and Engineering). In the fall of 2009, the College enrolled 6,141 full-time equated undergraduate students and 422 full-time equated graduate students. The College has residential facilities that house more than half of the students on campus and another third of the student population in housing nearby.

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounting policies of the College conform to all U.S. generally accepted accounting principles as applicable to public colleges and universities. The College's financial statements are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Board of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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

Expendable: Net assets that are subject to externally imposed stipulations that can be fulfilled by actions of College pursuant to the stipulations or that expire by the passage of time.

June 30, 2010 and 2009

- **Unrestricted:** Net assets that are not subject to externally imposed stipulations and may be designated for specific purposes by action of management to the board of trustees or may otherwise be limited by contractual agreements with outside parties.

(b) Measurement Focus and Basis of Accounting

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

(c) Cash and Cash Equivalents

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

(d) Deposits Held with Bond Trustees

Deposits held with bond trustees are reflected at fair value, which is based on quoted market prices. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Changes in fair value (including both realized and unrealized gains and losses) are reported in investment income. The College's financial statements for fiscal years 2010 and 2009 reflect a net decrease in fair value of investments of \$123 and \$70, 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. Realized and unrealized gains and losses are reported in investment income.

(f) Capital Assets

Capital assets include buildings, equipment, and infrastructure assets, such as roads and sidewalks. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

June 30, 2010 and 2009

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

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

Estimated obligations to complete construction in progress as of June 30, 2010 are approximately \$9,706. Such construction is principally financed by proceeds from long-term debt.

(g) *Deferred Revenue*

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

(h) *Student Activity Fees*

It is the policy of the College to collect the student activity fees for the Student Finance Board. Revenues and related remittance of these fees to the Student Finance Board of \$1,257 and \$1,214 in fiscal years 2010 and 2009, respectively, have not been included in the accompanying financial statements.

(i) *Tuition and Fees*

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

(j) *Operating Activities*

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

(k) *Student Housing and Fees*

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

June 30, 2010 and 2009

(l) Income Taxes

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

(m) Use of Estimates

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

(n) Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

(o) Recently Adopted Accounting Standard

The College adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* as of July 1, 2008 which provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions (see note 16).

(3) Transactions with Affiliates

(a) The College of New Jersey Foundation

The College of New Jersey Foundation, Inc. (the Foundation) has approved payments to the College for support of scholarships, restricted private grants, and donated capital assets of \$1,196 and \$1,425 during fiscal years 2010 and 2009, respectively. As of June 30, 2010 and 2009 a net (payable) receivable of (\$1) and \$8 was (due to) due from the Foundation. Additional information about the Foundation is presented in note 17 to the financial statements.

(b) Trenton State College Corporation

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

During 2010 and 2009, the College incurred \$345 and \$314, 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

June 30, 2010 and 2009

owned properties. As of June 30, 2010 and 2009, there were outstanding payables due to the Corporation relating to these expenses of \$57 and \$9, 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 \$294 and \$299 for June 30, 2010 and 2009, respectively, of which \$20 and \$9 were due to the College as of June 30, 2010 and 2009, respectively.

The Corporation had purchased some Transfer Housing facilities in order to provide additional housing for the College's students. Prior to fiscal year 2008, the Corporation paid for the maintenance of these properties, and the College in return transfers all room revenues earned and damages collected for these properties to the Corporation. During fiscal years 2010 and 2009, 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 2010 and 2009 were \$258 and \$243, respectively.

In fiscal year 2010, the Corporation and the College executed an agreement to transfer to the College a total of ten properties, six of which that will be needed for a future development of a campus town and remaining four as part of the strategic acquisition plan of the College. The Corporation will transfer these properties valued at \$1,863 in 2011. In exchange for this, the College will not request the Corporation to reimburse the College for the \$1,811 that the College initially provided to the Corporation to purchase and renovate the Country Club Apartments. The College will provide the difference of \$52 to the Corporation.

(4) Cash, Cash Equivalents, and Investments

Cash and cash equivalents were \$77,597 and \$86,712 as of June 30, 2010 and 2009, respectively, which included \$72,572 and \$79,162, respectively, held in the State of New Jersey Cash Management fund and \$5,025 and \$7,550, respectively, held in various accounts at Wachovia Bank. Of the amounts held at Wachovia Bank, \$250 was insured by the Federal Deposit Insurance Corporation (FDIC) and the excess of FDIC coverage are collateralized pursuant to New Jersey Statute 52:18-16-1.

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

June 30, 2010 and 2009

The College has an investment policy that establishes guidelines for permissible investments. The College may invest in obligations of the U.S. Government, the State of New Jersey Cash Management Fund, collateralized certificates of deposit, Commonfund Investments, and other securities, which shall be authorized by the board of trustees of the College. The Commonfund is a nonprofit provider of short and intermediate-term fixed income investment products for nonprofit institutional clients.

The College's investments as of June 30, 2010 and 2009 are as follows:

Investments		
	2010	2009
Money market fund	\$ 4,160	4,105
U.S. Treasury note	9,996	—
Commonfund – Short-term fund	—	26
Commonfund – Intermediate-term fund	133	118
Total	\$ 14,289	4,249

The College's investments are subject to various risks. Among these risks are credit risk, concentration of 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).

The Commonfund is a mutual fund. As of June 30, 2010 the Commonfund short term was 100% liquidated. As of June 30, 2010 and 2009, the credit quality of the investments that comprised the Commonfund intermediate and short term funds was as follows:

June 30, 2010 and 2009

Commonfund Credit Quality 2009		
	Intermediate	Short-term
AAA	61%	4%
AA	5	—
A	17	—
Other	17	96

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an 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, 2010 and 2009, the College's debt securities in U.S. Treasury notes are due to mature in less than two years.

(5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2010 and 2009:

Due (to) from State of New Jersey		
	2010	2009
FICA benefit reimbursement	\$ 923	449
Fringe benefit reimbursement	(387)	—
Asbestos reimbursements	—	76
Alternative Benefit Programs (ABP)	650	798
Total	\$ 1,186	1,323

June 30, 2010 and 2009

(6) Capital Assets

Capital asset activity for the years ended June 30, 2010 and 2009 was as follows:

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

June 30, 2010 and 2009

Capital Assets 2009				
2009	Beginning balance	Additions	Transfers/ retirements	Ending balance
Nondepreciable assets:				
Land	\$ 21,157	—	—	21,157
Construction in progress	27,053	48,926	(2,285)	73,694
Total nondepreciable assets	48,210	48,926	(2,285)	94,851
Depreciable assets:				
Land improvements	230	—	—	230
Buildings	416,955	—	1,225	418,180
Building improvements	44,030	1,378	85	45,493
Infrastructure	44,623	243	—	44,866
Equipment and other assets	52,591	6,732	975	60,298
Total depreciable assets	558,429	8,353	2,285	569,067
Total capital assets	606,639	57,279	—	663,918
Accumulated depreciation:				
Land improvements	(120)	(9)	—	(129)
Buildings	(80,614)	(8,373)	—	(88,987)
Building improvements	(11,042)	(1,761)	—	(12,803)
Infrastructure	(3,370)	(1,275)	—	(4,645)
Equipment and other assets	(33,016)	(4,170)	—	(37,186)
Total accumulated depreciation	(128,162)	(15,588)	—	(143,750)
Capital assets, net	\$ 478,477	41,691	—	520,168

As of June 30, 2010 and 2009, the College's bond obligations were collateralized by buildings and equipment with book values of \$428,948 and \$406,565, respectively. During fiscal years 2010 and 2009, interest income on bond construction funds for Series 2008 D, 2010 A and 2010 B bonds was \$270 and \$759, respectively. Interest expense on these same bond funds was \$1,927 for 2010 and \$3,641 for 2009. Net interest costs of \$1,657 and \$2,882, for fiscal years 2010 and 2009, respectively, were capitalized and included in construction in progress.

June 30, 2010 and 2009

(7) Deposits Held with Bond Trustees

Deposits held with bond trustees represent restricted funds held by U.S. Bank (the trustee), under the terms of various lease agreements and bond indentures. Deposits with bond trustees are carried in the financial statements at fair value and consist of short term investments and government securities. As of June 30, 2010 and 2009, deposits with bond trustees include the following:

Deposits Held with Bond Trustees		
	2010	2009
Construction funds	\$ 44,667	31,746
Debt service reserve funds	2,342	—
Rental pledge	13,783	11,541
Total	<u>\$ 60,792</u>	<u>43,287</u>

The College's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. As of June 30, 2010 and 2009, the College's deposits held with bond trustees are invested in money market accounts or U.S. Treasury notes or government securities guaranteed by the U.S. government. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following table summarizes deposits held with bond trustees maturities as of June 30, 2010 and 2009:

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

June 30, 2010 and 2009

Deposits Held with Bond Trustees				
Investment type	Fair value	2009		
		Investment maturities		
		(in years)		
		Less than 1	1 to 2	More than 2
Money market accounts	\$ 11,541	11,541	—	—
U.S. Treasury notes and government securities	31,746	31,746	—	—
Total	\$ 43,287	43,287	—	—

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2010 and 2009:

Accounts Payable and Accrued Expenses		
	2010	2009
Bond principal and interest	\$ 13,310	11,541
Vendors	6,607	7,469
Accrued salaries and benefits	3,199	1,887
Accrued expense – construction	1,059	4,551
Total	\$ 24,175	25,448

(9) Noncurrent Liabilities

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

Notes to the Financial Statements (dollar amounts in thousands)

June 30, 2010 and 2009

The following is a breakout of bonds payable and other long-term obligations, as of June 30, 2010 and 2009:

Bonds Payable and Other Long-Term Obligations		
	2010	2009
Bonds payable:		
New Jersey Educational Facilities Authority:		
2002 Series C (interest 4.00% to 5.38%, maturing on July 1, 2019)	\$ 36,120	38,965
2008 Series D (interest 4.00% to 5.00%, due serially starting on July 1, 2010 to July 1, 2028)	159,335	160,335
2008 Series D (interest 5.00%, maturing on July 1, 2035)	127,455	127,455
2010 Series A (interest 3.00% to 4.00%, due serially starting on July 1, 2012 to July 1, 2015)	3,410	—
2010 Series B (interest 4.88% to 7.40%, maturing on July 1, 2016 through July 1, 2040)	41,090	—
Subtotal bonds payable	367,410	326,755
Add/subtract:		
Bond premium	10,518	11,045
Bond discount	(142)	(161)
Total bonds payable	\$ 377,786	337,639
Other long-term obligations:		
Dormitory Safety Trust Fund (interest 5%, maturing on January 15, 2018)	\$ 767	885
Equipment Leasing Series 2003A (interest 2.00% to 5.00%, maturing on August 1, 2011)	217	319
Higher Education Capital Improvement Fund (interest 4.52% to 5.25% maturing on August 15, 2022)	7,441	7,727
Total other long-term obligations	\$ 8,425	8,931



Notes to the Financial Statements (dollar amounts in thousands)

June 30, 2010 and 2009

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, 2010:

Principal and Interest Repayments					
		Bond principal	Other long-term obligations principal	Bond interest	Other long-term obligations interest
Year ending June 30:					
2011	\$	4,050	526	18,995	371
2012		5,070	543	18,833	353
2013		5,310	449	18,635	337
2014		8,975	466	18,422	320
2015		9,635	483	17,992	302
2016–2020		58,955	2,315	82,133	1,193
2021–2025		74,845	3,643	65,543	316
2026–2030		83,090	—	45,352	—
2031–2035		105,135	—	21,569	—
2036–2040		12,345	—	2,824	—
	\$	<u>367,410</u>	<u>8,425</u>	<u>310,298</u>	<u>3,192</u>

Notes to the Financial Statements (dollar amounts in thousands)

June 30, 2010 and 2009

Noncurrent liabilities activity for the years ended June 30, 2010 and 2009 is as follows:

Noncurrent Liabilities Activity					
2010	Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:					
Compensated absences	\$ 2,786	669	—	3,455	3,217
Natural gas forward contracts	4,329	—	(749)	3,580	2,092
U.S. and Government grants refundable	4,404	—	—	4,404	—
Bonds payable, net	337,639	44,500	(4,353)	377,786	4,696
Other long-term obligations	8,931	—	(506)	8,425	526
Total noncurrent liabilities	\$ 358,089	45,169	(5,608)	397,650	10,531
2009	Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:					
Compensated absences	\$ 2,690	96	—	2,786	2,540
Natural gas forward contracts	4,329	—	—	4,329	2,388
U.S. and Government grants refundable	4,404	—	—	4,404	—
Bonds payable, net	342,278	—	(4,639)	337,639	4,486
Other long-term obligations	9,418	—	(487)	8,931	506
Total noncurrent liabilities	\$ 363,119	96	(5,126)	358,089	9,920

The agreements with the Authority require the College to pledge all the fees, charges, and rentals collected from the operations of the facilities. The terms of the agreements require annual rental payments equal to at least one hundred five percent (105%) for the 2002 Series C of the principal and interest due in any bond year. In addition, the terms provide for the funding of a project renewal and replacement fund and certain other costs incurred in the administration of the agreement.

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

June 30, 2010 and 2009

premium of \$139 and the College incurred \$626 in bond issue cost which is being amortized over the life of the issue.

(10) Benefits Paid by the State of New Jersey

The State, through separate appropriations, principally healthcare and pension costs and FICA taxes, pays certain fringe benefits on behalf of College employees. The costs of these benefits, \$23,783 and \$22,562 in 2010 and 2009, 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.

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

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

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

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

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

June 30, 2010 and 2009

(b) Funding Policies

PERS, TPAF, and PFRS covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the required contributions are made on the College's behalf by the State of New Jersey annually at an actuarially determined rate. The contribution requirements of plan members and the College are established and may be amended by the board of trustees of the respective plan. The College's contributions to the plans (amounts made by the State) for the years ended June 30, 2010 and 2009 were \$2,039 and \$1,757, respectively, for PERS, TPAF, and PFRS, which are equal to the required contributions.

(c) Alternate Benefit Program (ABP) Information

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

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 are 8%. During the years ended June 30, 2010 and 2009, ABP investment carriers received employer and employee contributions as follows:

ABP Employer and Employee Contributions			
		2010	2009
Employer contributions	\$	3,908	3,696
Employee contributions		4,897	4,720
Participating employees' salaries		48,850	46,199

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.

June 30, 2010 and 2009

(d) Postemployment Benefits Other Than Pension

The State of New Jersey implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2008. 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 \$238 and \$246 as of June 30, 2010 and 2009, respectively, which is reflected in compensated absences in the accompanying financial statements.

The College is required to pay non-faculty employees for their accumulated vacation time upon their separation or retirement. These liabilities were \$2,552 and \$2,540 as of June 30, 2010 and 2009, 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, 2010, a liability of \$665 was included in compensated absences in the accompanying financial statements.

(13) Unrestricted Net Assets

As discussed in note 2, net assets are required to be classified for accounting and reporting purposes into one of four net asset categories according to externally imposed restrictions. Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations, however, they may be subject to internal designations. For example, unrestricted net assets may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net assets of the College as of June 30, 2010 and 2009 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.

(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.

June 30, 2010 and 2009

(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, 2010 and 2009, the College expended \$313 and \$361, respectively, for government and public relations, and \$188 and \$200 and, respectively, for legal fees.

(16) Cash Flow Hedge – Commodity Futures Contract

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

As of June 30, 2010 there were 117 contracts hedged which represent 1,170,000 million British thermal units (MMBTUs) with individual fair values ranging from (\$55) to (\$228). The 117 contracts had an aggregate negative fair value of \$3,580 as of June 30, 2010. Under the terms of the commodity futures contracts, the College agrees to pay the following average fixed prices of \$8.529 and \$8.275 per MMBTU for fiscal years 2011 and 2012, respectively, and agrees to receive variable payments based on the New York Mercantile Exchange (NYMEX) price for natural gas at specific dates in fiscal years 2011 and 2012.

As of June 30, 2010 the College was not exposed to credit risk but was exposed to basis risk in the amount of the fair value of these contracts because the hedge contracts had a negative net fair value. However, should natural gas prices change and the fair value becomes positive, the College would not be exposed to basis risk.

As of June 30, 2009 there were 174 contracts hedged which represent 1,740,000 million British thermal units (MMBTUs) with individual fair values ranging from (\$28) to (\$314). The 174 contracts had an aggregate negative fair value of \$4,329 as of June 30, 2009. Under the terms of the commodity futures contracts, the College agrees to pay the following average fixed prices of \$9.340, \$8.548 and \$8.293 per MMBTU for fiscal years 2010, 2011 and 2012, respectively, and agrees to receive variable payments based on the New York Mercantile Exchange (NYMEX) price for natural gas at specific dates in fiscal years 2010, 2011 and 2012.

As of June 30, 2009 the College was not exposed to credit risk but was exposed to basis risk in the amount of the fair value of these contracts because the hedge contracts had a negative net fair value. However, should natural gas prices change and the fair value becomes positive, the College would not be exposed to basis risk.

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

Component Unit

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

Complete financial statements for the Foundation can be obtained from the College at 2000 Pennington Road, Ewing, NJ 08628.

Investments

The Foundation has an investment policy, which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, bonds and bond funds and alternative investments. Investments consist of the following as of June 30, 2010 and 2009:

Foundation Investments		
	2010	2009
Equities	\$ 9,028	6,704
Mutual funds	3,190	2,373
U.S. Treasury bills and notes and Government agencies	3,421	3,771
Corporate bonds	566	752
Cash and cash equivalents	1,195	1,452
Alternative investment	1,144	1,038
Total	\$ 18,544	16,090



Notes to the Financial Statements (dollar amounts in thousands)

June 30, 2010 and 2009

The Foundation's investments are subject to various risks. Among these risks are credit risk, concentration of 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, 2010, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

Foundation Fixed Income Investments Ratings 2010					
Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	\$	3,472	1,853	1,568	51
Aa1		19	—	—	19
Aa2		9	—	—	9
Aa3		57	—	—	57
A1		92	—	—	92
A2		62	—	—	62
A3		79	—	—	79
Baa1		91	—	—	91
Baa2		100	—	—	100
B3		6	—	—	6
Total	\$	3,987	1,853	1,568	566

Notes to the Financial Statements (dollar amounts in thousands)

June 30, 2010 and 2009

As of June 30, 2009, 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 2009					
Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	\$	3,854	1,131	2,640	83
Aa2		37	—	—	37
Aa3		49	—	—	49
A1		106	—	—	106
A2		72	—	—	72
A3		134	—	—	134
Baa1		137	—	—	137
Baa2		126	—	—	126
Ba2		8	—	—	8
Total	\$	4,523	1,131	2,640	752

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, 2010, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

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

Notes to the Financial Statements (dollar amounts in thousands)

June 30, 2010 and 2009

As of June 30, 2009, 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 2009					
Maturing in years		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	\$	84	63	—	21
1 – 5		1,367	818	308	241
6 – 10		609	192	27	390
Greater than 10		2,463	58	2,305	100
Total	\$	4,523	1,131	2,640	752

Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA/grant number	Current year expenditures
Student Financial Assistance Cluster:		
U.S. Department of Health and Human Services:		
Nursing Student Loans	93.364	\$ 6,000
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grants	84.007	236,250
Federal Family Education Loans	84.032	822,541
Federal Direct Loan Program	84.268	25,507,476
Federal Work-Study Program	84.033	118,192
Federal Work-Study Program, Recovery Act	84.033	35,857
Federal Perkins Loan Program (including administrative cost allowance of \$16,064)	84.038	337,330
Federal Pell Grant Program	84.063	4,213,161
Academic Competitiveness Grant	84.375	25,500
National Science and Mathematics Access to Retain Talent Grant	84.376	21,280
Teacher Education Assistance for College and Higher Education Grants	84.379	77,000
Total Student Financial Assistance Cluster		31,400,587
Research and Development Cluster:		
U.S. Department of Health and Human Services:		
Passed through New Jersey Department of Corrections:		
Promoting Responsible Fatherhood	93.086	79,212
National Security Agency:		
2010 Garden State Undergraduate Mathematics Conference	12.901	4,139
National Science Foundation:		
Passed through Idaho State University:		
Prenylcysteine Metabolism and Phytohormone Signaling Arabidopsis	47.074	5,625
Passed through Villanova University:		
Collaborative Research	47.070	14,128
Giving the Maestro a Human Heart	47.070	116,040
Faculty/Student Collaboration in Environmental & Model Organism Biology, Recovery Act	47.082	29
Total Research and Development Cluster		219,173
U.S. Department of Health and Human Services:		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	35,535
National Science Foundation:		
Broadening Participation in Computing via Community Journalism for Middle Schoolers	47.070	200,188
Acquisition of a Single Crystal X-Ray Diffractometer	47.049	242,200
Education and Human Resources:		
Education and Human Resources	47.076	6,440
Program to Enhance Retention of Student in Science Trajectories in Biology and Chemistry	47.076	133,292
PAID: ADVANCE Female Faculty Through Career Development	47.076	70,738
Total Education and Human Resources		210,470
U.S. Department of Justice:		
Grants To Reduce Violent Crimes Against Women on Campus	16.522	23,783
Passed through New Jersey Division of Alcoholic Beverage Control: Lollanoboosa	16.727	4,841

Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA/grant number	Current year expenditures
U.S. Department of Education:		
Special Education, Technical Assistance and Dissemination to Improve Services and Results For Children With Disabilities	84.326C	\$ 279,879
Passed through New Jersey Higher Education Student Assistance Authority:		
State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	1,072,824
State Fiscal Stabilization Fund-Government Services, Recovery Act	84.397	98,434
Passed through New Jersey Department of Education:		
State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	<u>1,726,000</u>
Total State Fiscal Stabilization Fund Cluster		<u>2,897,258</u>
Passed through New Jersey Department of Education:		
Teacher Quality Enhancement Recruitment	84.336	213,959
Enhancing Teaching & Student Leadership	84.048A	214,271
Undergraduate International Studies and Foreign Language Programs	84.016	89,430
U.S. Department of Transportation:		
Passed through New Jersey Division of Highway Traffic Safety: Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	89,303
U.S. Small Business Administration:		
Passed through New Jersey Commerce, Economic Growth, and Tourism Commission:		
Passed through Rutgers, The State University of New Jersey: Small Business Development Center	59.037	194,805
Corporation for National and Community Service:		
AmeriCorps:		
AmeriCorps National Education Awards Program	94.006	228,237
AmeriCorps National Education Awards Program, Recovery Act	94.006	227,858
Passed through New Jersey Department of State:		
AmeriCorps Bonner Leaders Program	94.006	<u>212,488</u>
Total AmeriCorps		<u>668,583</u>
Total expenditures of Federal awards		<u>\$ 36,984,265</u>

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

**Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2010**

State of New Jersey grantor/pass-through grantor/ program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
Student Financial Assistance Cluster:				
New Jersey Commission on Higher Education:				
Educational Opportunity Fund Grant - Article III	100-074-2401-001-KKKK-6140	\$ 471,776	07/01/09 - 06/30/10	\$ 471,776
Educational Opportunity Fund Grant - Article III - Summer School	100-074-2401-001-KKKK-6140	253,955	07/01/09 - 06/30/10	253,955
Higher Education Student Assistance Authority:				
Edward J. Bloustein Distinguished Scholars Award	100-074-DS10-278-KKKK-6150	981,615	07/01/09 - 06/30/10	981,615
New Jersey CLASS Loans	—	9,936,256	07/01/09 - 06/30/10	9,936,256
Tuition Aid Grant	100-074-2405-007-KKKK-6150	4,605,436	07/01/09 - 06/30/10	4,605,436
Urban Scholars Award	100-074-US11-278-KKKK-6150	113,925	07/01/09 - 06/30/10	113,925
NJ Student Tuition Assistance Reward Scholarship II	—	419,980	07/01/09 - 06/30/10	419,980
Total Student Financial Assistance Cluster				<u>16,782,943</u>
New Jersey Department of Human Services:				
Mercer County - Clinic for the Provision of Specialized Family Therapy	Resolution # 2009-372	212,932	07/01/09 - 06/30/11	127,936
New Jersey Department of Education:				
Professional Learning Community	MOU	112,903	09/19/08 - 08/31/09	78,045
Career and Technical Student Organization	08000078	270,380	06/01/07 - 09/30/09	41,844
New Jersey Commission on Higher Education:				
Adaptive Technology Center for New Jersey Colleges	10YR1-801180-0076	200,000	07/01/09 - 06/30/10	187,472
College Access Challenge Grant "Dual Enrollment" Program	—	20,000	04/30/09 - 06/30/10	12,159
Educational Opportunity Fund Program - Article IV	—	349,040	06/01/08 - 07/31/09	31,074
Educational Opportunity Fund Program - Article IV	—	349,040	06/01/09 - 07/31/10	307,548
New Jersey Department of Transportation:				
Mobility & Community Form: Linking Transportation & Land Use	TCNJ2004 - Task Order 6	1,923,804	11/15/07 - 11/14/10	444,917
Innovative and Effective Techniques for Locating Underground Conduits	TCNJ2004 - Task Order 7	150,852	01/01/10 - 12/31/10	28,290
NJ State Development and Redevelopment	—	244,986	04/02/08 - 12/31/09	46,313
New Jersey Board of Public Utilities:				
Spring 2009 Wind Energy Symposium for New Jersey Municipality Passed through Rutgers, The State University of New Jersey:	No. 20148000475	3,169	09/12/08 - 09/11/09	2,046
Sustainable Jersey Energy	No. 023413-001-001	155,800	07/01/09 - 06/30/10	155,277
New Jersey Smart Start Buildings Program	1273	110,400	01/31/2010	110,400

**Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2010**

State of New Jersey grantor/pass-through grantor/ program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
New Jersey Department of Human Services, Commission for the Blind and Visually Impaired:				
Work Skills Prep Program (WSP) @ TCNJ	MOU	\$ 237,273	05/19/10 - 04/30/10	\$ 4,229
Support Service Providers - New Jersey (SSP-NJ)	MOU	179,108	03/31/10 - 12/31/10	5,441
Professional Services to Students with Deafblindness and CBVI Staff	MOU	65,948	09/01/09 - 06/30/10	38,659
Professional Services to Students with Deafblindness and CBVI Staff	MOU	39,308	10/01/08 - 09/30/09	1,039
Teacher of the Blind & Visually Impaired Preparation Program	MOU	166,714	07/01/06 - 07/31/09	799
New Jersey Department of State:				
State Appropriation to State Colleges and Universities	XX-100-074-24XX-XXX	30,725,000	07/01/09 - 06/30/10	30,725,000
New Jersey State Council of the Arts:				
Mercer County Cultural and Heritage Commission:				
Local Arts program grant	90990104822000	3,700	01/01/09 - 12/31/09	2,250
Interdepartmental Accounts:				
State Fringe Benefits Other Than FICA	XX-100-094-9410-XXX	18,373,746	07/01/09 - 06/30/10	18,373,746
FICA - State Colleges and Universities Reimbursement Program	XX-100-094-9410-137	5,409,316	07/01/09 - 06/30/10	5,409,316
Total expenditures of State of New Jersey awards				\$ <u>72,916,743</u>

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

Year Ended June 30, 2010

(1) Basis of Presentation

The accompanying schedules of expenditures of Federal and State of New Jersey awards include the Federal and State of New Jersey grant activity of The College of New Jersey (the College) and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the 2010 basic financial statements.

(2) Federal Perkins Loan and Nursing Student Loan Programs

The College administers and accounts for certain aspects of the Federal Perkins Loan and Nursing Student Loan Programs. The balance of loans outstanding under these programs as of June 30, 2010 was \$4,342,687 and \$104,929 respectively.

(3) Other Loan Programs

The College is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loans program, Federal Direct Loan program and the New Jersey College Loans to Assist State Students (CLASS) program and, accordingly, these loans are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under these programs as of June 30, 2010.

(4) Subrecipients

Of the Federal expenditures presented in the schedule of expenditures of Federal awards, the College provided \$385,158 in Federal awards under the AmeriCorps program, CFDA number 94.006 to subrecipients during the year ended June 30, 2010.



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Independent Auditors' Report

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

The Board of Trustees
The College of New Jersey:

We have audited the financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 26, 2010, which included an explanatory paragraph regarding the College's adoption of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of The College of New Jersey Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

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

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

KPMG LLP

October 26, 2010



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Independent Auditors' Report

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

The Board of Trustees
The College of New Jersey:

Compliance

We have audited The College of New Jersey's (the College) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (Federal OMB) *Circular A-133 Compliance Supplement* and the New Jersey Office of Management and Budget (New Jersey OMB) *State Grant Compliance Supplement* (the Compliance Supplements) that could have a direct and material effect on each of the College's major Federal and State of New Jersey programs for the year ended June 30, 2010, except the requirements discussed in the second paragraph of this report. The College's major Federal and State of New Jersey programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal and State of New Jersey programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We did not audit the College's compliance with the requirements governing maintaining contact with borrowers and billing and collection procedures in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Federal OMB Compliance Supplement. Those requirements govern functions performed by Educational Computer Systems, Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ECSI's compliance with the requirements governing the functions that it performs for the College for the year ended June 30, 2010 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ECSI's compliance with such requirements.

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



the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, The College of New Jersey complied, in all material respects, with the compliance requirements referred to in the first paragraph above that could have a direct and material effect on each of its major Federal and State of New Jersey programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Requirements governing maintaining contact with borrowers and billing and collection procedures in the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the Federal OMB Compliance Supplement are performed by ECSI. Internal control over compliance related to such functions for the year ended June 30, 2010 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of ECSI's internal control over compliance related to such functions.

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

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

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

KPMG LLP

March 7, 2011

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

(1) Summary of Auditor's Results

- (a) Unqualified opinions were issued on the financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements.
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements of the College as of and for the year ended June 30, 2010: **none reported** Material weaknesses: **no**
- (c) The audit disclosed no instances of noncompliance considered to be material to the financial statements of the College as of and for the year ended June 30, 2010.
- (d) Significant deficiencies in internal control over the major Federal or State of New Jersey programs of the College for the year ended June 30, 2010: **none reported** Material weaknesses: **no**
- (e) An unqualified opinion was issued on the College's compliance with its major Federal and State of New Jersey programs for the year ended June 30, 2010.
- (f) There were no audit findings which are required to be reported under Section 510(a) of Federal OMB Circular A-133 or New Jersey OMB Circular 04-04 for the year ended June 30, 2010.
- (g) The major Federal and State of New Jersey programs of the College for the year ended June 30, 2010 were as follows:

Federal

- Student Financial Assistance Cluster (CFDA #93.364, 84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, and 84.379)
- State Fiscal Stabilization Fund-Education State Grants, Recovery Act/State Fiscal Stabilization Fund-Government Services, Recovery Act (CFDA #84.394 and 84.397)
- AmeriCorps National Education Awards Program/AmeriCorps National Education Awards Program, Recovery Act/AmeriCorps Bonner Leaders Program (CFDA #94.006)

State of New Jersey

- Student Financial Assistance Cluster
 - State Appropriation to State Colleges and Universities
- (h) The dollar threshold used to distinguish between type A and type B programs was \$300,000 for Federal awards and \$1,265,752 for State of New Jersey awards for the year ended June 30, 2010.
 - (i) The College qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2010.



Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

No findings required to be reported.

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

No findings required to be reported.