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, 2008

(With Independent Auditors' Reports Thereon)

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Management's Discussion and Analysis

June 30, 2008 and 2007

Overview of Financial Statements and Financial Analysis

The following Management's Discussion and Analysis (MD&A) provides an overview of The College of New Jersey's (TCNJ or the College) financial performance during the fiscal year ended June 30, 2008 with the comparative information as of June 30, 2007 and 2006. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and Government Accounting Standards Board (GASB) principles. The preparation and completeness of the MD&A, financial statements, and note disclosures are the responsibility of the College's management.

The financial statements encompass the College and its discretely presented component unit (The College of New Jersey Foundation, Inc.); 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*. TCNJ was awarded, in 2006, a Phi Beta Kappa chapter, an honor shared by less than 10% of colleges and universities nationally.

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 2007, TCNJ enrolled 6,063 full-time equivalent undergraduate students and 385 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.

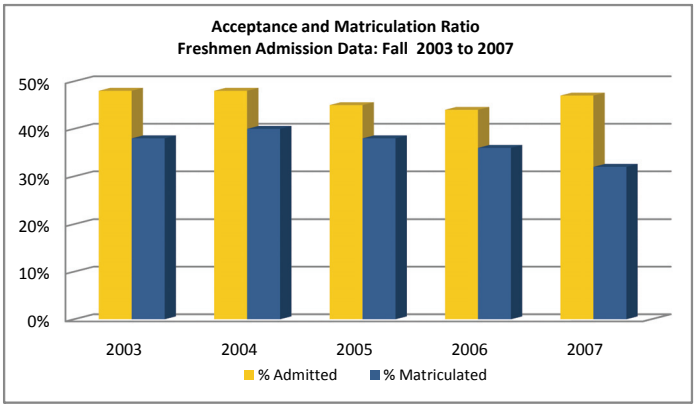
Academic Profile

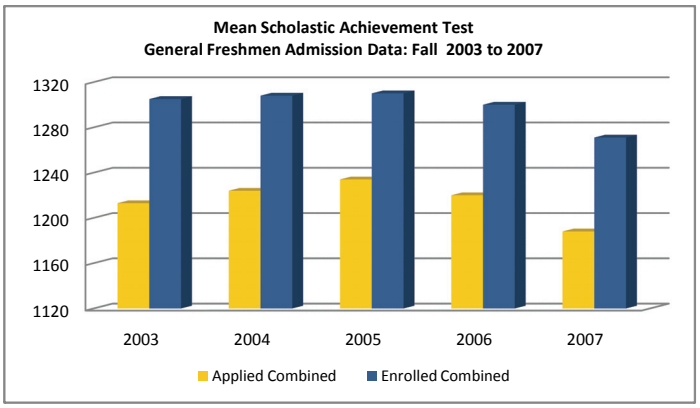
Faculty

In fall 2007, the College's overall full-time equivalent (FTE) faculty count was 498. Approximately 72% of the total faculty FTE was full-time (361) and the remaining 28% (137) 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 6,448 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 as reflected in the acceptance and matriculation ratio graphs. The fall 2007 full-time freshmen class enrolled 1,297 students yielding a 32% matriculation ratio based upon a 47% acceptance ratio for 8,607 applicants. The mean Scholastic Aptitude Test (SAT) for the general admitted group was a combined 1,271. Currently, 95% of the freshmen class and 60% of all undergraduate students live on campus. Fall 2007 also brought 269 new transfer students into the College. The transfer matriculation rate was 54% and this was based on a 58% transfer acceptance ratio of 852 applicants.





The 2007–2008 academic year concluded with the awarding of 1,418 bachelor's degrees, 368 master's degrees, and 106 pre-/post-master's certifications.

Using the Financial Statements

The College's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the GASB principles.

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 $48.9 million and $44.2 million for the years ended June 30, 2008 and 2007, 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, 2008 and 2007, scholarship allowance totaled $23.0 million and $24.0 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $14.4 million and $11.6 million for the years ended June 30, 2008 and 2007, 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 is implementing Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ending June 30, 2008. The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers employment 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 will be reported by the State of New Jersey.

Statement of Net Assets

The statement of net assets is a point of time financial statement that presents the College's financial position at the end of fiscal years 2008 and 2007. 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 are categorized as current and noncurrent. Current assets are those considered to be convertible to cash within one year. Current assets of the College consist primarily of cash, short-term investments, deposits held with bond trustees and student, and other accounts receivable.

Liabilities are categorized as current and noncurrent. Current liabilities are those due and anticipated to be paid within the upcoming fiscal year. Current liabilities of the College consist primarily of accounts payable, deferred revenues, compensated absences and the current portion of long-term debt. The noncurrent liability is comprised primarily of long-term bonds payable.

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 net assets include amounts institutionally designated or committed to support specific academic and research programs and capital construction projects.

A summary of the College's assets, liabilities, and net assets at June 30, 2008, 2007, and 2006 is as follows:

		2008	2007	2006
		(Amounts in thousands)		
Assets:				
Current assets	$	97,301	84,612	98,666
Noncurrent assets		596,775	577,145	554,621
Total assets		694,076	661,757	653,287
Liabilities:				
Current liabilities		31,131	28,520	28,809
Noncurrent liabilities		351,979	338,002	341,859
Total liabilities		383,110	366,522	370,668
Net assets:				
Invested in capital assets, net of related debt		249,506	244,220	236,826
Restricted for:				
Student loans		573	555	726
Debt service		—	444	1,096
Renewal and replacement		—	250	2,362
Unrestricted		60,887	49,766	41,609
Total net assets	$	310,966	295,235	282,619

Statement of Net Assets Financial Highlights

Assets

During fiscal years 2008 and 2007, the College's total assets increased by $32.3 million or 4.9% and $8.5 million or 1.3%, respectively.

Cash and Cash Equivalents

In fiscal year 2008, cash and cash equivalents decreased by $9.0 million or 15.6% primarily due to the transfer of cash to investments based on a modification to the investment policy and guidelines that was approved by the Board of Trustees. This decrease was offset by cash receipts that included interest income plus cash reimbursements from deposits held by bond trustees for capital expenses paid in the previous year.

In fiscal year 2007, cash and cash equivalents increased significantly by $48.8 million primarily due to the maturity of approximately $40 million in U.S. Treasury investments, interest income, plus cash reimbursements from deposits held by bond trustees for capital expenses paid in the previous year.

Deposits Held With Bond Trustees

During fiscal year 2008, deposits held with bond trustees decreased by $21.0 million or 20.7% primarily due to the reimbursements from the construction funds for capital expenditures coupled with a transfer from the Series 1999 A bond construction fund to the escrow account for the Series 2008 D refunding bonds.

During fiscal year 2007, deposits held with bond trustees decreased by $4.0 million or 3.8% primarily due to the reimbursements from bond construction funds for capital expenditures.

Deferred Financing Costs

During fiscal year 2008, deferred financing costs increased by $36.7 million primarily due to costs of issuance including interest rate swap termination fees associated with the Series 1999 A and 2002 D refunded bonds which was offset by current year amortization. These deferred costs are being amortized over the remaining life of the bonds.

Capital Assets

During fiscal years 2008 and 2007, capital assets had net increases of $8.7 million and $3.2 million respectively, primarily due to construction projects that were mainly funded by various bond issues. The increases were offset by increases in depreciation expense.

Liabilities

Current Liabilities

In fiscal year 2008, the College's current liabilities increased by $2.6 million or 9.2% while in fiscal year 2007, it remained relatively stable. The fiscal year 2008 increase can be attributed to the receipt of invoices for construction projects plus goods and services that were accrued for as of June 30, 2008, coupled with the fact that in fiscal year 2007, there was a $1.1 million reduction in accrued legal contingency expenses.

Noncurrent Liabilities

Noncurrent liabilities increased by $14.0 million or 4.1% in fiscal year 2008 and decreased by $3.9 million or 1.1% in fiscal years 2007. The increase was primarily due to $17 million in additional principal and premium as part of the Series 2008 D refunding bonds which was offset by the current year repayment of principal on various bond issues. In fiscal year 2007, the change was 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. The improvement in the College's overall financial position is reflected in the continuing increases in total net assets.

During fiscal years 2008 and 2007, net assets increased by $15.7 million or 5.3% and $12.6 million or 4.5%, respectively. In both fiscal years, the increases were directly related to the College's continued investment in capital assets coupled with positive operating surpluses.

Current Ratio

The College's current ratio measures the institution's ability to satisfy its current obligations as they come due. In fiscal years 2008 and 2007, the College's current assets were more than sufficient to cover current liabilities, as the current ratios were 3.1:1 and 3.0:1, respectively.

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, operating revenues are earned in exchange for providing goods and services. 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.

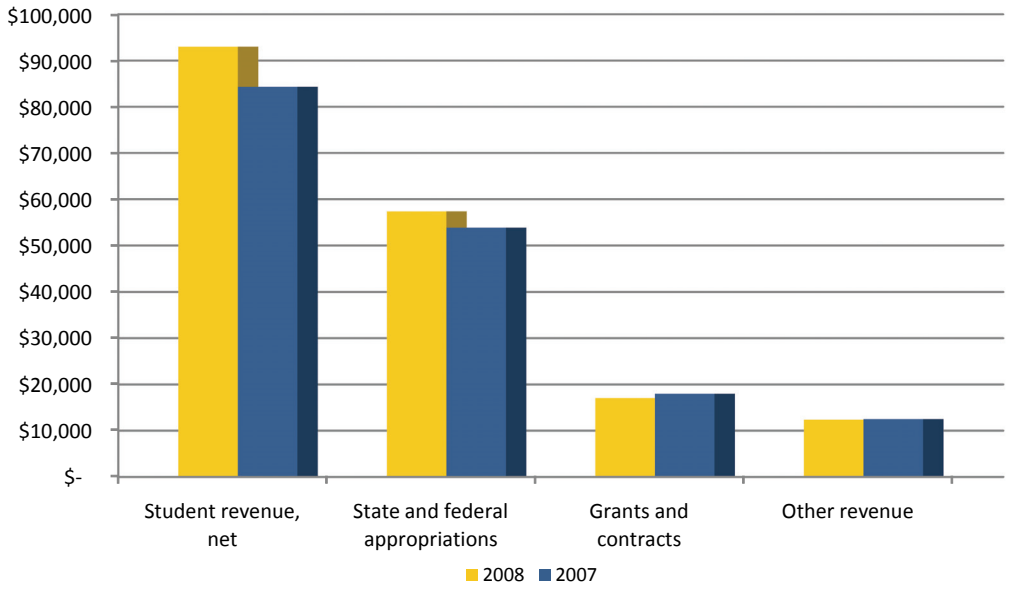
The statement of revenues, expenses, and changes in net assets reflects a positive year with an increase in net assets at the end of the year. A summary of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2008, 2007, and 2006 is as follows:

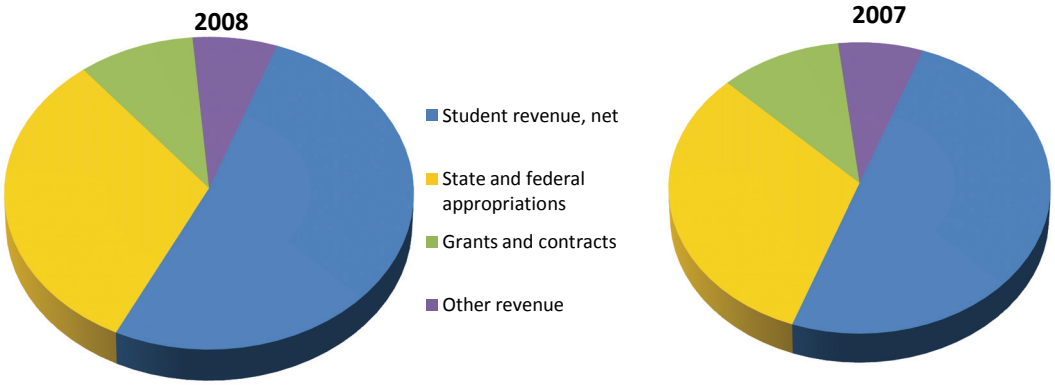
		2008	2007	2006
		(Amounts in thousands)		
Net student revenues	$	93,020	84,320	74,281
Government grants and contracts		17,058	18,001	18,600
Auxiliary activities		4,503	4,798	4,646
Other		2,688	2,317	1,838
Operating revenues		117,269	109,436	99,365
Instruction and research		54,451	50,563	48,509
Auxiliary activities		25,165	24,304	22,677
Institutional support		12,198	11,116	11,225
Operation and maintenance of plant		15,893	15,889	15,927
Student services		11,555	10,635	11,168
Academic support		11,266	11,491	10,964
Depreciation		14,367	11,583	10,566
Other		5,501	5,438	4,778
Operating expenses		150,396	141,019	135,814
Operating loss		(33,127)	(31,583)	(36,449)
NJ State and government appropriations		57,366	53,851	56,109
Other expenses, net		(8,508)	(9,652)	(13,288)
Net nonoperating revenues		48,858	44,199	42,821
Increase in net assets		15,731	12,616	6,372
Net assets, beginning of year		295,235	282,619	276,247
Net assets, end of year	$	310,966	295,235	282,619

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, 2008 and 2007 (amounts in thousands):





	2008		2007	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Student revenue, net	$ 93,020	51.7%	$ 84,320	50.0%
State and federal appropriations	57,366	31.9%	53,851	31.9%
Grants and contracts	17,058	9.5%	18,001	10.7%
Other revenue	12,384	6.9%	12,496	7.4%
	$ 179,828	100.0%	$ 168,668	100.0%

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 79.3% and 77.0% of total operating revenue in fiscal years 2008 and 2007, respectively.

Tuition and Fees

Tuition and fees revenues increased $6.9 million or 9.2% and $8.2 million or 12.3% in fiscal years 2008 and 2007, respectively. These increases were attributed to the general tuition increases of 6.0% and 8.0% in fiscal years 2008 and 2007, respectively, coupled with modest increases in student enrollment.

Student Housing and Fees

Student housing and fees revenues increased $0.8 million or 2.3% and $3.1 million or 10.3% in fiscal years 2008 and 2007, respectively. The fiscal year 2008, increase can be attributed to the room and board increase of approximately 4.0% offset by a reduction in room revenues from the Country Club Apartments because the College did not utilize this facility in fiscal year 2008 for student housing. The fiscal year 2007 increase was primarily due to the room and board increase of 4.75% coupled with an increased demand for student housing and a significant number of students selecting the higher carte blanche meal plans. The related expenses are shown as auxiliary activities.

Scholarship Allowance

In fiscal year 2008, scholarship allowance had a net decrease of $1.0 million, or 4.3%, primarily due to the reduction in College's merit based scholarship program. This reduction was offset by increases in the State funded Tuition Aid Grant (TAG), New Jersey Stars II scholarship program and Federal Pell Grants.

In fiscal year 2007, scholarship allowance had a net increase of $1.3 million, or 5.8%, primarily due to the increase in College funded scholarships to offset the funding shortfall from the State for the Outstanding Scholars Recruitment Program (OSRP). The College funded scholarships accounted for $1.6 million of the net increase. The State funded Tuition Aid Grant (TAG) and Federal Pell Grants had modest increases of $632 thousand and $172 thousand, respectively. This was offset by a significant decrease of $1.1 million in OSRP funding from the State.

		2008	2007	2006
		(Amounts in thousands)		
State scholarships	$	9,103	9,469	9,939
Federal scholarships		3,131	2,740	2,541
College scholarships		10,746	11,805	10,207
Total scholarships	$	22,980	24,014	22,687

Auxiliary Activities

Auxiliary activities, which are self-funding activities, accounted for approximately 3.8% and 4.4% of the total operating revenues in fiscal years 2008 and 2007, 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 2008, Government grants and contracts revenue decreased by $943 thousand or 5.2% 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 2008, coupled with reduced funding for OSRP and Distinguished Scholarships grants. This decrease was offset by increase funding for New Jersey Stars II and TAG plus revenues generated by some new state grants such as Early Education /Child Care and the Career and Technical Student Organization grant. The increase in the federal grant revenues was generated primarily by the Federal Pell Grants.

In fiscal year 2007, Government grants and contracts revenue decreased by $599 thousand, or 3.2%. The decrease in the state grant revenue was primarily due to various state funded grants coming to a close during fiscal year 2007, coupled with the significant decrease funding for OSRP. This decrease was offset by increase funding for TAG plus revenues from new grants such as Assessment of Alternate Route Formal Instruction Programs, Efficacy Studies in State Funded Preschool Programs and Teacher of the Blind and Visually Impaired Prep Program. Federal grants and contracts increased with additional revenues of $764 thousand primarily due to the Teacher Quality Enhancement Grant, Genomic Analysis Grant and Pell Grants.

Nonoperating Revenues

New Jersey State Appropriations

New Jersey state appropriations represented 31.9% of the total College revenues in both fiscal years 2008 and 2007. 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 2008, the gross state support to the College increased by $3.6 million or 6.7%, due to the partial funding of the state negotiated salary program, an increase to the base appropriation plus increases in fringe benefits funded by the State.

In fiscal year 2007, the base state appropriation to the College was reduced by $3.0 million and the College received no funding for the salary increases collectively bargained at the State level. In response to these shortfalls, the Board of Trustees and the President implemented a fiscal stabilization plan that allowed the College to retain its academic core and continue its commitment of providing exceptional service to the students and the community. This plan included a series of targeted cost-saving measures in all areas except those that would affect the health and safety of college community or damage the academic integrity of the College.

The breakdown of the state appropriations at June 30, 2008, 2007, and 2006 is as follows:

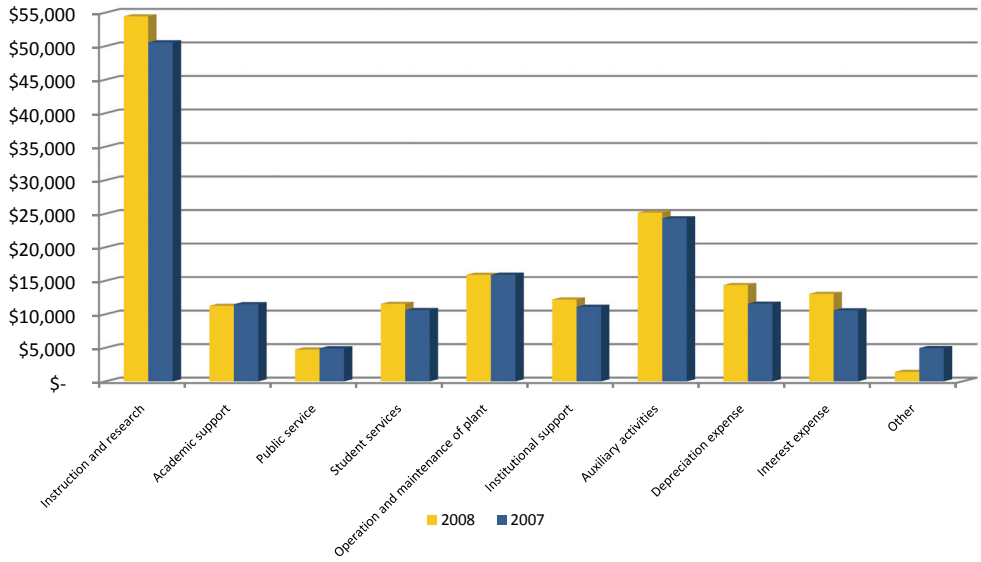
		2008	2007	2006
		(Amounts in thousands)		
Net state appropriations	$	37,040	35,016	37,977
Fringe benefits		20,255	18,672	17,969
Gross state support	$	57,295	53,688	55,946

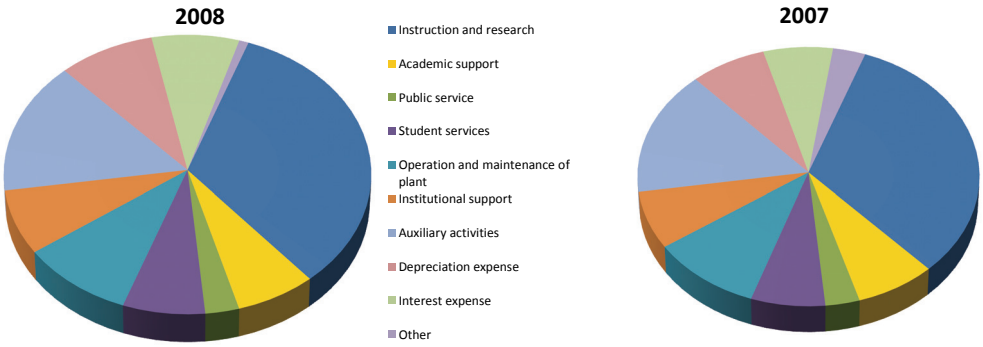
Investment Income

Investment income had a modest decrease of $188 thousand during fiscal year 2008. This modest decrease can be attributed to the reduction in short-term interest rates offset by the College maintaining a high average cash balance throughout the year. In fiscal year 2007, investment income increased $2.4 million due to a rise in short-term interest rates plus higher average cash on investment balances.

Expenses

The following is an illustration of expenses by function (both operating and nonoperating) for the fiscal years ended June 30, 2008 and 2007 (amounts in thousands):





	2008		2007	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Instruction and research	$ 54,451	33.2%	$ 50,563	32.4%
Academic support	11,266	6.9%	11,491	7.4%
Public service	4,751	2.9%	4,916	3.1%
Student services	11,555	7.0%	10,635	6.8%
Operation and maintenance of plant	15,893	9.7%	15,899	10.2%
Institutional support	12,198	7.4%	11,116	7.1%
Auxiliary activities	25,165	15.3%	24,304	15.6%
Depreciation expense	14,367	8.8%	11,583	7.4%
Interest expense	13,044	7.9%	10,592	6.8%
Other	1,407	0.9%	4,963	3.2%
	$ 164,097	100.0%	$ 156,062	100.0%

Operating Expenses

In fiscal years 2008 and 2007, total operating expenses were $150.4 million and $141.0 million, respectively, representing an overall increase of 6.7%. In most functional categories, the increases resulted from contractual salary and related fringe benefits 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 year 2008, instructional expenses had a significant increase, while research activities remained relatively stable with the same level of investment as the prior year. The increase in instruction was mainly due to the filling of some vacant faculty positions coupled with contractual salary and related fringe benefit increases.

In fiscal year 2007, instructional expenses had a modest increase, while additional funds were made available for College funded research activities. The modest increase in instruction was mainly due to contractual salary and related fringe benefit increases which were offset by some vacancies in faculty positions. Research expenditures increased significantly because eligible faculty were given research alternate assignments under the new academic transformation curriculum.

Academic Support

In fiscal year 2008, academic support remained relatively stable due to contractual salary and related fringe benefit increases that were offset by some major position vacancies. In fiscal year 2007, the increase was mainly due to salary and fringe benefits plus additional expenditures from academic self-funded enterprise programs.

Public Service

Public service expenses remained relatively stable in fiscal year 2008, but increased significantly in fiscal year 2007, by $1.6 million or 46.1%. The fiscal year 2007 increase was primarily due to the receipt of new public service grants plus increased expenditures on existing grants.

Student Services

In fiscal year 2008, the student services increase was primarily due to contractual salary and related fringe benefit increases coupled with additional investment for the first phase of the student life transformation that will be integrated with the academic transformation. The net decrease reflected in fiscal year 2007, was due to the elimination of some athletic programs and the consolidation of other administrative units due to the reduction in state funding. This decrease was offset by contractual salary and related fringe benefit increases.

Operation and Maintenance of Plant

Operation and maintenance of plant remained relatively stable during fiscal years 2008 and 2007. In both years, there were increases due to contractual salary and related fringe benefits that were offset by savings generated from the College's energy conservation program. In fiscal year 2008, there were additional expenditures due to the enhancement of campus safety.

Institutional Support

In fiscal year 2008, the institutional support increase was primarily due to increases in contractual salary and fringe benefits plus a one-time major expenditure for upgrading the campus-wide information technology network coupled with additional investments in the area of Compliance and Accountability. There was an overall decrease in institutional support for fiscal year 2007. There were increases due to contractual salary and related fringe benefits that were offset by the continued cost saving measures being employed in the administrative areas due to budgetary constraints.

Auxiliary Activities

Auxiliary expenses increased by $0.9 million and $1.6 million, or 3.5% and 7.2%, in fiscal years 2008 and 2007, respectively. In both years, the increases were due to contractual salary and related fringe benefits plus higher meal plan rates.

Depreciation Expense

Depreciation expense increased by $2.8 million or 24.0% in fiscal year 2008, 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 2008, the troubled auction rate securities market had a widespread impact on the market for short-term tax-exempt obligations, which adversely affected the College's borrowing costs with respect to the Series 1999 A Bonds and the Series 2002 D Bonds. This resulted in additional interest expense on these variable rate and auction rate bonds. During fiscal year 2007, interest expense had a significant increase primarily due to the completion of capital construction projects which resulted in less interest expense being capitalized.

Other Expenses, Net

In fiscal year 2008, other nonoperating expenses decreased $3.4 million or 88.4% because in the previous fiscal year, $2.5 million of previously capitalized expenditures relating to the infrastructure of an impaired asset was written off. During fiscal year 2007, other nonoperating expenses decreased $3.8 million, or 50%, primarily due to an adjustment of capitalized interest associated with an impaired asset during fiscal year 2006.

Operating Margin

According to GASB Statement No. 35 significant resources of the College are categorized as nonoperating revenues. In fiscal years 2008 and 2007, operating losses were $33.1 million and $31.6 million, respectively, however, nonoperating revenues offset these operating 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. Over the years, budgetary practices have led to positive operating margins. According to bond rating agencies, the College annual operating margin of 9.1% and 10.1% for fiscal years 2008 and 2007, respectively are very strong for a public institution.

Capital Assets

At June 30, 2008, the College had $478.5 million invested in capital assets, net of accumulated depreciation of $128.2 million. Depreciation charges totaled $14.4 million for the current fiscal year. Capital additions are comprised of new construction and renovation of facilities. These additions were funded primarily with the proceeds from bonds. The following is a breakdown of the net additions (transfers) for fiscal years ended June 30, 2008, 2007, and 2006:

		2008	2007	2006
		(Amounts in thousands)		
Additions (transfers):				
Buildings and building improvements	$	7,555	137,280	1,362
Infrastructure		10,058	16,891	508
Equipment and other assets		3,333	7,715	4,424
Construction in progress		2,104	(147,102)	(816)
Net total additions	$	23,050	14,784	5,478

Long-Term Debt

At June 30, 2008, the College had $351.7 million in outstanding bonds and other long-term obligations, compared to $337.2 million at June 30, 2007. During fiscal year 2008, the College refunded Series 1999 A and 2002 D Bonds and issued Series 2008 D Bonds. The refunding resulted in a net increase of $5.4 million in outstanding principal and a debt portfolio of 100% fixed rate bonds. During fiscal year 2007, no new debt was issued. Additional information about the College's existing long-term obligations is presented in note 9 to the financial statements.

Economic Factors that Will Affect the Future

For the fiscal years ending June 30, 2008 and 2007, the College finished with $15.7 million and $12.6 million or 5.3% and 4.5% 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.

A crucial element to maintaining the College's improved financial condition will continue to be our relationship with the State of New Jersey, as we work to manage tuition and make it competitive while providing an outstanding college education for our students. There is a direct relationship between the growth of State support and the College's ability to control tuition growth, as declines in state appropriations generally result in increased tuition levels. The level of State support, the impact of wage increases collectively bargained at the State level, and the ability of student fee supported activities to meet inflationary pressures determine the limits of program expansion, new initiatives, and strategic investments.

There are other issues of College-wide importance that will directly impact the College's future financial condition. These issues include the increasing demand for institutional scholarships, increasing the investment in academic program excellence, expanding fund-raising activities, investing in capital assets, diversifying revenue, 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 problems

Our plan is based on 9 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:

- Protecting institutional autonomy
- Diversifying revenue streams
- Enhancing the physical plant
- Exemplifying accountability and transparency
- Partnering in P-20+

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 Expenditures 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, 2008 and 2007, 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., a component unit of The College of New Jersey, 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, 2008 and 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2008 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 16 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 2008 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2008 basic financial statements taken as a whole.

KPMG LLP

November 3, 2008

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

Statement of Net Assets

June 30, 2008

(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	$ 48,812	3,282	52,094
Receivables:			
Student accounts, net of allowance of doubtful accounts of $453	852	—	852
Student loans	770	—	770
Grants	991	—	991
Due from State of New Jersey (note 5)	1,817	—	1,817
Due from TCNJ Foundation (due to College)	12	(12)	—
Other	1,455	50	1,505
Total receivables	5,897	38	5,935
Investments (notes 4 and 17)	31,728	1,758	33,486
Deposits held with bond trustees (note 7)	7,890	—	7,890
Prepaid expenses and other assets	2,974	—	2,974
Total current assets	97,301	5,078	102,379
Noncurrent assets:			
Student loans receivable, net of allowance of doubtful loans of $196	3,921	—	3,921
Deposits held with bond trustees (note 7)	72,567	—	72,567
Other assets	—	528	528
Investments (notes 4 and 17)	—	12,751	12,751
Deferred financing costs, net of accumulated amortization of $3,173 (note 9)	41,810	—	41,810
Capital assets, net (note 6)	478,477	—	478,477
Total noncurrent assets	596,775	13,279	610,054
Total assets	694,076	18,357	712,433
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (note 8)	19,250	358	19,608
Compensated absences – current portion (note 12)	2,473	—	2,473
Due to TSC Corporation (note 3)	19	—	19
Deferred revenue and student deposits	5,051	—	5,051
Bonds payable – current portion, including net premium of $440 (note 9)	3,850	—	3,850
Other long-term obligations – current portion (note 9)	488	—	488
Total current liabilities	31,131	358	31,489
Noncurrent liabilities (note 9):			
Compensated absences – noncurrent (note 12)	217	—	217
U.S. and Government grants refundable	4,404	—	4,404
Bonds payable – noncurrent, including net premium of $11,673 (note 9)	338,428	—	338,428
Other long-term obligations (note 9)	8,930	3,060	11,990
Total noncurrent liabilities	351,979	3,060	355,039
Total liabilities	383,110	3,418	386,528
Net Assets			
Invested in capital assets, net of related debt	249,506	—	249,506
Restricted:			
Nonexpendable:			
Scholarships	—	5,377	5,377
Expendable:			
Scholarships	—	3,819	3,819
Research	—	858	858
Other	—	2,501	2,501
Student loans	573	—	573
Unrestricted (note 13)	60,887	2,384	63,271
Total net assets	$ 310,966	14,939	325,905

See accompanying notes to financial statements.

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

Statement of Net Assets

June 30, 2007

(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	$ 57,826	1,836	59,662
Receivables:			
Student accounts, net of allowance doubtful accounts of $453	1,106	—	1,106
Student loans	781	—	781
Grants	986	—	986
Due from State of New Jersey (note 5)	2,000	—	2,000
Other	2,359	48	2,407
Total receivables	7,232	48	7,280
Investments (note 4)	9,631	3,772	13,403
Deposits held with bond trustees (note 7)	7,606	—	7,606
Prepaid expenses and other assets	2,317	—	2,317
Total current assets	84,612	5,656	90,268
Noncurrent assets:			
Student loans receivable, net of allowance of doubtful loans of $349	3,505	—	3,505
Deposits held with bond trustees (note 7)	93,880	—	93,880
Other assets	—	109	109
Investments (note 4)	3,510	10,625	14,135
Deferred financing costs and deferred loss, net of accumulated amortization of $2,608	6,456	—	6,456
Capital assets, net (note 6)	469,794	—	469,794
Total noncurrent assets	577,145	10,734	587,879
Total assets	661,757	16,390	678,147
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (note 8)	17,429	364	17,793
Compensated absences – current portion (note 12)	2,332	—	2,332
Due to TCNJ Foundation (due from College)	1	(1)	—
Due to TSC Corporation (note 3)	51	—	51
Deferred revenue and student deposits	4,887	—	4,887
Bonds payable – current portion, including discount of $43 (note 9)	3,137	—	3,137
Other long-term obligations – current portion (note 9)	683	—	683
Total current liabilities	28,520	363	28,883
Noncurrent liabilities (note 9):			
Compensated absences – noncurrent (note 12)	216	—	216
U.S. and Government grants refundable	4,404	—	4,404
Bonds payable – noncurrent, including discount of $818 (note 9)	323,963	—	323,963
Other long-term obligations (note 9)	9,419	3,163	12,582
Total noncurrent liabilities	338,002	3,163	341,165
Total liabilities	366,522	3,526	370,048
Net Assets			
Invested in capital assets, net of related debt	244,220	—	244,220
Restricted:			
Nonexpendable:			
Scholarships	—	3,615	3,615
Expendable:			
Scholarships	—	4,139	4,139
Research	—	330	330
Other	—	2,825	2,825
Student loans	555	—	555
Debt service reserve collateral requirement	444	—	444
Renewal and replacement and maintenance reserves	250	—	250
Unrestricted (note 13)	49,766	1,955	51,721
Total net assets	$ 295,235	12,864	308,099

See accompanying notes to financial statements.

THE COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2008
(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	$ 82,291	—	82,291
Less tuition scholarship allowances	(17,877)	—	(17,877)
Net student tuition and fees	64,414	—	64,414
Student housing and fees	33,709	—	33,709
Less housing scholarship allowances	(5,103)	—	(5,103)
Net student housing and fees	28,606	—	28,606
Federal grants and contracts	5,884	—	5,884
State of New Jersey grants and contracts	11,174	—	11,174
Auxiliary activities	4,503	—	4,503
Contributions	—	2,922	2,922
Interest on student loans receivable	81	—	81
Other operating revenues	2,607	—	2,607
Total operating revenues	117,269	2,922	120,191
Operating expenses:			
Instruction	47,169	—	47,169
Research	7,282	—	7,282
Academic support	11,266	—	11,266
Public service	4,751	—	4,751
Student services	11,555	—	11,555
Operation and maintenance of plant	15,893	—	15,893
Institutional support	12,198	—	12,198
Scholarships and fellowships	750	565	1,315
Auxiliary activities	25,165	—	25,165
Fund-raising	—	209	209
Depreciation	14,367	—	14,367
Total operating expenses	150,396	774	151,170
Operating (loss) income	(33,127)	2,148	(30,979)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	37,040	—	37,040
State of New Jersey fringe benefits	20,255	—	20,255
Government appropriations	71	—	71
Investment income (loss)	5,193	(861)	4,332
Interest expense	(13,044)	—	(13,044)
Transactions with affiliates (note 3)	(208)	(593)	(801)
Other expenses, net	(449)	(248)	(697)
Net nonoperating revenues (expenses)	48,858	(1,702)	47,156
Income before other revenues	15,731	446	16,177
Additions to permanent endowments	—	1,629	1,629
Increase in net assets	15,731	2,075	17,806
Net assets as of beginning of year	295,235	12,864	308,099
Net assets as of end of year	$ 310,966	14,939	325,905

See accompanying notes to financial statements.

THE COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2007
(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	$ 75,390	—	75,390
Less tuition scholarship allowances	(18,466)	—	(18,466)
Net student tuition and fees	56,924	—	56,924
Student housing and fees	32,944	—	32,944
Less housing scholarship allowances	(5,548)	—	(5,548)
Net student housing and fees	27,396	—	27,396
Federal grants and contracts	5,283	—	5,283
State of New Jersey grants and contracts	12,718	—	12,718
Auxiliary activities	4,798	—	4,798
Contributions	—	4,173	4,173
Interest on student loans receivable	89	—	89
Other operating revenues	2,228	—	2,228
Total operating revenues	109,436	4,173	113,609
Operating expenses:			
Instruction	43,194	—	43,194
Research	7,369	—	7,369
Academic support	11,491	—	11,491
Public service	4,916	—	4,916
Student services	10,635	—	10,635
Operation and maintenance of plant	15,889	—	15,889
Institutional support	11,116	—	11,116
Scholarships and fellowships	522	450	972
Auxiliary activities	24,304	—	24,304
Fund-raising	—	183	183
Depreciation	11,583	—	11,583
Total operating expenses	141,019	633	141,652
Operating (loss) income	(31,583)	3,540	(28,043)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	35,016	—	35,016
State of New Jersey fringe benefits	18,672	—	18,672
Government appropriations	163	—	163
Investment income	5,381	1,644	7,025
Interest expense	(10,592)	—	(10,592)
Transactions with affiliates (note 3)	(585)	(1,135)	(1,720)
Other expenses, net	(3,856)	(375)	(4,231)
Net nonoperating revenues	44,199	134	44,333
Income before other revenues	12,616	3,674	16,290
Additions to permanent endowments	—	972	972
Increase in net assets	12,616	4,646	17,262
Net assets as of beginning of year	282,619	8,218	290,837
Net assets as of end of year	$ 295,235	12,864	308,099

See accompanying notes to financial statements.

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

Statements of Cash Flows

(Business-Type Activities – College only)

Years ended June 30, 2008 and 2007

(Amounts in thousands)

		2008	2007
Cash flows from operating activities:			
Student tuition and fees	$	64,427	57,704
Federal, State, and local grants and contracts		17,053	17,422
Payments to suppliers		(17,317)	(16,007)
Payments to employees		(76,205)	(73,155)
Payments for benefits		(1,368)	(2,296)
Student housing and auxiliary activities		12,999	13,080
Other receipts, net		2,688	2,317
Net cash provided by (used by) operating activities		2,277	(935)
Cash flows from noncapital financing activities:			
New Jersey State appropriations		37,040	35,352
Other receipts, net		(1,114)	(669)
Net cash provided by noncapital financing activities		35,926	34,683
Cash flows from capital and related financing activities:			
Purchase of capital assets		(18,439)	(15,624)
Withdrawals from deposits held with bond trustees		26,206	7,524
Bond issuance costs		(37,356)	—
Defeasement of debt		(281,766)	—
Bond proceeds		300,158	—
Principal payments on bonds and other obligations		(3,863)	(4,623)
Interest payments on bonds and other obligations		(17,111)	(15,254)
Net cash used by capital and related financing activities		(32,171)	(27,977)
Cash flows from investing activities:			
Interest on investments		2,954	2,627
Purchases of investments		(23,000)	(75,795)
Maturities of investments		5,000	116,195
Net cash (used by) provided by investing activities		(15,046)	43,027
Net change in cash and cash equivalents		(9,014)	48,798
Cash and cash equivalents as of beginning of year		57,826	9,028
Cash and cash equivalents as of end of year	$	48,812	57,826
Reconciliation of operating loss to net cash provided by (used by) operating activities:			
Operating loss	$	(33,127)	(31,583)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:			
Depreciation		14,367	11,583
State of New Jersey fringe benefits		20,255	18,672
Changes in assets and liabilities:			
Receivables, net		919	(610)
Prepaid expenses		(199)	(298)
Accounts payable and accrued expenses		(895)	(349)
Accrued salaries		825	(533)
Other accrued expenses		(32)	1,173
Deferred revenue and student deposits		164	1,010
Net cash provided by (used by) operating activities	$	2,277	(935)

See accompanying notes to financial statements.

(1) Organization

The College of New Jersey (the College) is a mid-sized, comprehensive public college that concentrates primarily on the undergraduate experience. Baccalaureate and master's degrees are offered through the academic programs of the College's seven schools (Arts and Communication; Business; Education; Culture and Society; Science; Nursing, Health, and Exercise Science; and Engineering). In the fall of 2007, the College enrolled 6,063 full-time equated undergraduate students and 385 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 Boards (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards 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 subject to externally imposed stipulations that must be maintained permanently by the College.

  Expendable: Net assets whose use by the College 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.

- ***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. All highly liquid investments purchased with an original maturity of three months or less are considered to be 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 2008 and 2007 reflect a net (decrease) increase in fair value of investments of $(117) and $84, 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.

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, 2008 are approximately $57,000. 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 $849 and $836 in fiscal years 2008 and 2007, 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-related 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. 34, 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.

(l) Income Taxes

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

(m) Use of Estimates

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

(3) Transactions with Affiliates

(a) The College of New Jersey Foundation

The College of New Jersey Foundation, Inc. (the Foundation) has approved payments to the College for support of scholarships and restricted funds of $593 and $1,135 during fiscal years 2008 and 2007, respectively. As of June 30, 2008 a net receivable of $12 was due from the Foundation and as of June 30, 2007 a net payable of $1 was due to the Foundation (see note 17).

(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 2008 and 2007, the College incurred $265 and $264, respectively, in rent and related expenses paid to the Corporation for usage of space in homes owned by the Corporation. In addition, the College reimbursed the Corporation for expenses associated with the maintenance of College owned properties. As of June 30, 2008 and 2007, there were outstanding payables due to the Corporation relating to these expenses of $45 and $48, 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 $265 for 2008 and $275 for 2007, of which $26 and $50 were due to the College as of June 30, 2008 and 2007, respectively.

The Corporation had purchased the Country Club Apartments and some Transfer Housing facilities in order to provide additional housing for the College's students. Effective fiscal year 2007, the College reimbursed the Corporation for expenses incurred while maintaining the Transfer Housing facilities plus a management fee. The Corporation pays for the maintenance of the Country Club Apartments, and the College in return transfers all room revenues earned by this facility to the

Corporation. The College did not utilize Country Club Apartments during fiscal year 2008, so no transfer was made. During fiscal year 2007 the revenues remitted from the College to the Corporation for Country Club Apartments was $402, respectively. The expenses reimbursed to the Corporation for Transfer Housing during fiscal year 2008 was $209. The expenses reimbursed to the Corporation for Transfer Housing during fiscal year 2007 was $248, of which $53 was an outstanding payable to the Corporation at June 30, 2007.

(4) Cash, Cash Equivalents, and Investments

Cash and cash equivalents were $48,812 and $57,826 as of June 30, 2008 and 2007, respectively, which included $44,489 and $54,354, respectively, held in the State of New Jersey Cash Management fund and $4,323 and $3,472, respectively, held in various accounts at Wachovia Bank. Of the amounts held at Wachovia Bank, $100 was insured by the Federal Deposit Insurance Corporation and the remaining balance was collateralized in accordance with Chapter 64 Title 18A of New Jersey Statutes.

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, 2008 and 2007 are as follows:

		2008	2007
Money market fund	$	10,120	—
Commercial paper		9,620	—
Certificate of deposit		3,539	—
Commonfund – Short-term fund		4,922	9,631
Commonfund – Intermediate-term fund		3,527	3,510
Total	$	31,728	13,141

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). At June 30, 2008, the College's investments in commercial paper were rated A1/P1.

The Commonfund is a mutual fund. As of June 30, 2008, the credit quality of the investments that comprise the Commonfund intermediate and short-term funds is as follows:

	Intermediate	Short-term
AAA	79%	41%
AA	8	12
A	10	8
A1+/P1 or A1/P1	—	39
Other	3	—

As of June 30, 2007, the credit quality of the investments that comprise the Commonfund intermediate and short-term funds is as follows:

	Intermediate	Short-term
AAA	79%	60%
AA	9	8
A	11	—
A1+/P1 or A1/P1	—	32
Other	1	—

Interest rate risks 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, 2008 and 2007, the College's debt securities are due to mature in less than one year.

In September 2008, the College was notified that Wachovia Bank, N.A., as trustee of the Commonfund for Short Term Investments (the Fund), was resigning as trustee, had initiated the process of terminating the Fund, and had established procedures for an orderly liquidation and distribution of the assets of the Fund over a period of time. The College has withdrawn $4,777 and $3,380 from the Short Term and Intermediate Funds, respectively, through November 3, 2008.

(5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2008 and 2007:

		2008	2007
FICA benefit reimbursement	$	1,077	989
Alternative Benefit Programs (ABP)		740	1,011
Total	$	1,817	2,000

(6) Capital Assets

Capital asset activity for the years ended June 30, 2008 and 2007 was as follows:

2008	Beginning balance	Additions	Transfers/ retirements	Ending balance
Nondepreciable assets:				
Land	$ 21,157	—	—	21,157
Construction in progress	24,949	14,120	(12,016)	27,053
Total nondepreciable assets	46,106	14,120	(12,016)	48,210
Depreciable assets:				
Land improvements	230	—	—	230
Buildings	412,706	1,496	2,753	416,955
Building improvements	40,724	3,293	13	44,030
Infrastructure	34,565	808	9,250	44,623
Equipment and other assets	49,258	3,333	—	52,591
Total depreciable assets	537,483	8,930	12,016	558,429
Total capital assets	583,589	23,050	—	606,639
Accumulated depreciation:				
Land improvements	(111)	(9)	—	(120)
Buildings	(72,326)	(8,288)	—	(80,614)
Building improvements	(9,413)	(1,629)	—	(11,042)
Infrastructure	(2,383)	(987)	—	(3,370)
Equipment and other assets	(29,562)	(3,454)	—	(33,016)
Total accumulated depreciation	(113,795)	(14,367)	—	(128,162)
Capital assets, net	$ 469,794	8,683	—	478,477

2007	Beginning balance	Additions	Transfers/ retirements	Ending balance
Nondepreciable assets:				
Land	$ 21,157	—	—	21,157
Construction in progress	172,051	2,659	(149,761)	24,949
Total nondepreciable assets	193,208	2,659	(149,761)	46,106
Depreciable assets:				
Land improvements	230	—	—	230
Buildings	285,615	2,356	124,735	412,706
Building improvements	30,535	3,530	6,659	40,724
Infrastructure	17,674	2,654	14,237	34,565
Equipment and other assets	41,543	3,585	4,130	49,258
Total depreciable assets	375,597	12,125	149,761	537,483
Total capital assets	568,805	14,784	—	583,589
Accumulated depreciation:				
Land improvements	(101)	(10)	—	(111)
Buildings	(66,580)	(5,746)	—	(72,326)
Building improvements	(8,192)	(1,221)	—	(9,413)
Infrastructure	(1,878)	(505)	—	(2,383)
Equipment and other assets	(25,461)	(4,101)	—	(29,562)
Total accumulated depreciation	(102,212)	(11,583)	—	(113,795)
Capital assets, net	$ 466,593	3,201	—	469,794

As of June 30, 2008 and 2007, the College's bond obligations were collateralized by buildings and equipment with book values of $361,024 and $356,015, respectively. During fiscal years 2008 and 2007, interest income on bond construction funds was $1,345 and $2,473, respectively. Interest expense on these same bond funds was $4,067 for 2008 and $4,450 for 2007. Net interest costs of $2,722 and $1,977, for fiscal years 2008 and 2007, respectively, were capitalized and included in construction in progress.

(7) Deposits Held with Bond Trustees

Deposits held with bond trustees represent restricted funds held by U.S. Bank and The Bank of New York, (the trustees), 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, 2008 and 2007, deposits with bond trustees include the following:

		2008	2007
Construction funds	$	72,567	93,880
Renewal and replacement funds		260	258
Debt service reserve funds		105	456
Rental pledge		7,525	6,892
Total	$	80,457	101,486

Under the terms of various bond resolutions, the College is required to establish and maintain reserves for renewal and replacement costs of certain projects, capitalized interest to pay interest expense on certain bonds, and debt service reserves for payment of principal and interest.

As of June 30, 2008 and 2007, deposits held with bond trustees included $68,678 and $20,833, respectively, in U.S. Treasury notes rated AAA.

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2008 and 2007:

		2008	2007
Bond principal and interest	$	6,659	6,155
Vendors		7,648	5,506
Accrued salaries and benefits		1,719	2,544
Accrued expense – construction		3,224	3,224
Total	$	19,250	17,429

(9) Noncurrent Liabilities

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

The following is a breakout of all bonds payable, and other long-term obligations, as of June 30, 2008 and 2007:

		2008	2007
Bonds payable:			
New Jersey Educational Facilities Authority:			
1976 Series D (interest 6.75%, maturing on July 1, 2008)	$	—	416
1999 Series A (interest 4.60%, refinanced on May 1, 2008)		—	143,855
2002 Series C (interest 4.00% to 5.38%, maturing on July 1, 2019)		42,375	45,140
2002 Series D (interest 3.67% to 4.42%, refinanced on May 1, 2008)		—	138,550
2008 Series D (interest 4.00% to 5.00%, due serially to July 1, 2028)		160,335	—
2008 Series D (interest 5.00%, maturing on July 1, 2035)		127,455	—
Subtotal bonds payable		330,165	327,961
Add/subtract:			
Bond premium		12,291	—
Bond discount		(178)	(861)
Total bonds payable	$	342,278	327,100
Other long-term obligations:			
Dormitory Safety Trust Fund (interest 5%, maturing on January 15, 2018)	$	1,003	1,122
PSE&G Capital Lease (interest 5.15%, maturing on June 1, 2008)		—	214
Equipment Leasing Series 2003A (interest 2.00% to 5.00%, maturing on August 1, 2011)		417	509
Higher Education Capital Improvement Fund (interest 4.52% to 5.25% maturing on August 15, 2022)		7,998	8,257
Total other long-term obligations	$	9,418	10,102

Aggregate principal and interest repayments required during the next five fiscal years and thereafter are as follows as of June 30, 2008:

	Bond principal	Other long-term obligations principal	Bond interest	Other long-term obligations interest
Year ending June 30:				
2009	$ 3,410	488	16,262	409
2010	3,845	506	16,125	390
2011	4,050	526	15,971	371
2012	4,255	543	15,809	353
2013	4,470	449	15,636	337
2014–2018	47,005	2,341	72,859	1,409
2019–2023	62,885	4,565	59,705	724
2024–2028	72,790	—	42,704	—
2029–2033	86,495	—	23,636	—
2034–2035	40,960	—	3,097	—
	$ 330,165	9,418	281,804	3,993

Noncurrent liabilities activity for the years ended June 30, 2008 and 2007 is as follows:

2008	Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:					
Compensated absences	$ 2,548	142	—	2,690	2,473
U.S. and Government grants refundable	4,404	—	—	4,404	—
Bonds payable, net	327,100	300,081	(284,903)	342,278	3,850
Other long-term obligations	10,102	—	(684)	9,418	488
Total noncurrent liabilities	$ 344,154	300,223	(285,587)	358,790	6,811

2007	Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:					
Compensated absences	$ 2,258	290	—	2,548	2,332
U.S. and Government grants refundable	4,414	—	(10)	4,404	—
Bonds payable	331,021	—	(3,921)	327,100	3,137
Other long-term obligations	10,761	—	(659)	10,102	683
Total noncurrent liabilities	$ 348,454	290	(4,590)	344,154	6,152

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 May 2008, the Authority issued Series 2008 D Bonds totaling $287,790 with a premium of $12,291. The issue was comprised of serial bonds of $160,335 and a term bond of $127,455. The proceeds were used to refund all of the outstanding Series 1999 A and Series 2002 D Bonds. The proceeds also provided funds for the interest rate swap termination fees and for the payment of issuance costs for the bond issue. Additionally, certain unspent moneys held in the construction fund established under the Series 1999 A indenture totaling $19,000 were transferred into the redemption account of the debt service fund of the Series 1999 A Bonds for application in accordance with the bond documents. The College recorded a deferred amount on refunding of $35,471 included in deferred financing costs in the accompanying statements of net assets. The deferred amount on refunding will be amortized over the shorter of the life of the new or respective old bond issues.

Interest Rate Swaps

The New Jersey Educational Facilities Authority, on behalf of the College, issued Series 1999 A and Series 2002 D debt in a variable rate mode that has been synthetically fixed through interest rate swaps. As of June 30, 2008, all the College's interest rate swaps have been terminated. The terminations resulted in a payment by the College of $11,940 for the Series 1999 A interest rate swap and a net payment of $18,306 for the Series 2002 D interest rate swap and are included in the deferred amount on refunding the bonds.

Series 1999 A

As of June 30, 2007, the notional amount of the swap for Series 1999 A was $143,855. Based on the Series 1999 A swap agreement, the College owed interest calculated at a fixed rate of 4.6% to the counterparty of the swap. In return, the counterparty owed the College variable rate interest based on 96% of BMA (The Bond Market Association Municipal Swap Index). Only the net difference in interest payments was actually exchanged with the counterparty. The $146,455 in original bond principal was not exchanged; it was only the basis on which the interest payments were calculated.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of $9,177 as of June 30, 2007. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic rate. Because the coupons on the College's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was provided by an independent investment management group.

As of June 30, 2007, the College was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the College

would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty had ratings of AAA by Standard & Poor's and Aaa by Moody's at June 30, 2007.

Using rates as of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Terms	Rates
1999 A:		
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.60%
Variable payment from counterparty	96% of BMA	(3.58)
Net interest rate swap payments		1.02
Variable rate bond coupon payments		3.69
Synthetic interest rate on bonds		4.71%

Series 2002 D

As of June 30, 2007, the swap notional amount of the Series 2002 D was $138,550. Based on the Series 2002 D swap agreement, the College owed interest calculated at a fixed rate of 4.1% to the counterparty of the swap. In return, the counterparty owed the College floating rate interest based on 67% of 1-month LIBOR. Only the net difference in interest payments was actually exchanged with the counterparty. The $138,550 in original bond principal was not exchanged; it was only the basis on which the interest payments were calculated.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of $4,656 as of June 30, 2007. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic rate. Because the coupons on the College's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was provided by an independent investment management group.

As of June 30, 2007, the College was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the College would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty had ratings of AA- by Standard & Poor's and Aa3 by Moody's as of June 30, 2007.

The swap exposes the College to basis risk. The variable bond rate that the College pays on its R-FLOAT bonds is based on a tax-exempt rate, while the variable rate that it receives from its swap, 67% of 1-month LIBOR, is based on a percentage of a short-term taxable rate. These cash flows will tend to offset each other. However, to the extent that 67% of LIBOR is less than the bond rate, the College's cost of funds will

increase and vice versa. Theoretically, the college is compensated for this risk because it pays a substantially lower fixed rate on a 67% of LIBOR swap than it would have paid had it executed a BMA swap or sold traditional fixed rate bonds. As of June 30, 2007, 1-month LIBOR was 5.32% and the College's variable bond rate was 3.51%.

Using rates as of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Terms	Rates
2002 D:		
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.10%
Variable payment from counterparty	67% of LIBOR	(3.56)
Net interest rate swap payments		0.54
Variable rate bond coupon payments		3.51
Synthetic interest rate on bonds		4.05%

On March 2, 2007, the College entered into a Constant Maturity Swap with a counterparty to enhance the Series 2002 D interest rate swap agreement with the objective to increase the expected cash flows and effectively lower the overall cost of borrowing of the Series 2002 D Bonds by converting the tenor of the interest rate on the counterparty payment leg of the underlying swap from receiving a short-term rate to a long-term rate. The effective date of the Constant Maturity Swap was January 1, 2008.

(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, $20,255 and $18,672 in 2008 and 2007, 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 under New Jersey State Appropriations 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), Aetna Investment Services, Lincoln National, Metropolitan Life, Copeland Companies and VALIC. 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.

(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, 2008 and 2007 were $1,029 and $973, 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, 2008 and 2007, ABP investment carriers received employer and employee contributions as follows:

		2008	2007
Employer contributions	$	3,442	3,403
Employee contributions		4,595	4,997
Participating employees' salaries		43,030	42,539

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

(d) Postemployment Benefits Other Than Pension

The State of New Jersey is implementing Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ending 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 will be 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 $217 and $216 as of June 30, 2008 and 2007, respectively, which is reflected in compensated absences in the accompanying financial statements.

The College is required to pay nonfaculty employees for their accumulated vacation time upon their separation or retirement. These liabilities were $2,473 and $2,332 as of June 30, 2008 and 2007, respectively, and are reflected 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, 2008 and 2007 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.

(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, 2008 and 2007, the College expended $351 and $374, respectively, for government and public relations, and $164 and $210, 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, 2008 there were 24 contracts hedged which represent 240,000 million British thermal units (MMBTUs) ranging from zero to $17. The aggregate fair value of the 24 contracts was $191. Under the terms of the commodity futures contracts, the College agrees to pay an average fixed price of $12.62 per MMBTU and agrees to receive a variable payment based on the New York Mercantile Exchange (NYMEX) price for natural gas at specific dates in fiscal year 2009.

As of June 30, 2008 the College was not exposed to basis risk but was exposed to credit risk in the amount of the fair value of these contracts because the hedge contracts had a positive net fair value. However, should natural gas prices change and the fair value becomes negative, the College would not be exposed to credit 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 fund-raising 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, and bonds and bond funds. Investments consist of the following as of June 30, 2008 and 2007:

		2008	2007
Equities	$	8,386,356	9,057,468
Mutual funds		3,131,820	3,185,304
U.S. Treasury bills and notes and Government agencies		866,795	850,924
Corporate bonds		665,767	716,538
Cash and cash equivalents		1,458,637	587,031
Total	$	14,509,375	14,397,265

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, 2008, 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:

Rating	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$ 944,276	581,225	285,570	77,481
Aa2	118,630	—	—	118,630
Aa3	217,475	—	—	217,475
A1	76,537	—	—	76,537
A2	98,529	—	—	98,529
A3	17,079	—	—	17,079
Baa1	8,861	—	—	8,861
Baa3	51,175	—	—	51,175
Total	$ 1,532,562	581,225	285,570	665,767

As of June 30, 2007, 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:

Rating	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$ 919,403	570,070	280,854	68,479
Aa1	63,248	—	—	63,248
Aa2	168,022	—	—	168,022
Aa3	126,152	—	—	126,152
A1	120,360	—	—	120,360
A2	106,555	—	—	106,555
A3	13,104	—	—	13,104
Baa3	50,618	—	—	50,618
Total	$ 1,567,462	570,070	280,854	716,538

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, 2008, 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:

Maturing in years		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	$	263,529	134,087	29,218	100,224
1 – 5		884,978	279,511	101,751	503,716
6 – 10		176,462	84,129	30,506	61,827
Greater than 10		207,593	83,498	124,095	—
Total	$	1,532,562	581,225	285,570	665,767

As of June 30, 2007, 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:

Maturing in years		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	$	196,448	55,023	91,158	50,267
1 – 5		742,070	202,957	87,716	451,397
6 – 10		533,271	262,302	56,095	214,874
Greater than 10		95,673	49,788	45,885	—
Total	$	1,567,462	570,070	280,854	716,538

THE COLLEGE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

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	251,690
Federal Family Education Loans	84.032	20,185,057
Federal Work-Study Program	84.033	132,595
Federal Perkins Loan Program (including administrative cost allowance of $45,017)	84.038	945,358
Federal Pell Grant Program	84.063	2,673,781
Academic Competitiveness Grant	84.375	9,150
National Science and Mathematics Access to Retain Talent Grant	84.376	48,000
Total Student Financial Assistance Cluster		24,251,631
Research and Development Cluster:		
U.S. Department of Justice:		
Passed through Indiana University:		
National Institute of Justice	16.560	48,113
U.S. Department of Health and Human Services:		
Passed through New Jersey Department of Corrections:		
Promoting Responsible Fatherhood	93.086	30,000
U.S. Environmental Protection Agency:		
Passed through New Jersey Institute of Technology:		
Protection of Critical Source Areas for Achieving Long-Term Sustainability of Drinking Water	66.509	8,334
National Fish and Wildlife Foundation:		
Lower Delaware Watershed	15.608	2,003
National Institute of Health:		
Roles BAF Like in the Nucleus	93.859	34,636
Passed through Wayne State University:		
Cognitions about Sexual Abuse	93.242	8,568
National Park Service:		
Lower Delaware Regions Watershed	15.921	3,165
National Science Foundation:		
Studies of Menthyl Farnesoate	47.074	5,424
Synthesis of Thwaites Glacier	47.078	1,295
Passed through Rutgers, The State University of New Jersey:		
Education and Human Resources:		
Adapting ATLAST	47.076	4,035
Total Research and Development Cluster		145,573
U.S. Department of Agriculture:		
Escape from Disease	10.206	8,163
U.S. Department of Energy:		
To Establish a Genomic Analysis Facility at The College of New Jersey	81.049	8,779
U.S. Department of Housing and Urban Development:		
Fair Housing Assistance Program	14.401	71,160
U.S. Department of Health and Human Services:		
Passed through Thomas Jefferson University/Division of Nursing:		
Perinatal Neonatal Education	93.247	4,630

(Continued)

THE COLLEGE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA/grant number	Current year expenditures
Passed through New Jersey Department of Human Services:		
Passed through Rowan University:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	$ 12,357
National Science Foundation:		
Broadening Participation in Computing via Community Journalism for Middle Schoolers	47.070	82,925
U.S. Department of Justice:		
Grants To Reduce Violent Crimes Against Women on Campus	16.522	71,391
Passed through New Jersey Division of Alcoholic Beverage Control:		
Lollanobooza	16.727	10,000
U.S. Department of Education:		
Bonner Center for Civic and Community Engagement	84.116	26,988
Special Education, Technical Assistance and Dissemination to Improve Services and Results For Children With Disabilities	84.326	235,927
Passed through New Jersey Department of Education:		
Sustainability Career Track Initiative	84.048	60,544
Sustainability Career Track Initiative	84.048A	37,215
Teacher Quality Enhancement Recruitment	84.336	742,233
U.S. Department of Transportation:		
Passed through New Jersey Division of Highway Traffic Safety:		
New Jersey Peer Institute	20.605	17,612
2007-2008 New Jersey Peer Institute 08	20.601	48,669
Federal Highway Administration:		
Passed through New Jersey Department of Transportation:		
Land Use Municipal Resource Center	Q680TCSP008	127,629
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	217,419
U.S. Environmental Protection Agency:		
Wastewater Management	66.463	26,602
Corporation for National and Community Service:		
AmeriCorps National Education Awards Program	94.007	175,898
Passed through New Jersey Department of State:		
AmeriCorps Bonner Leaders Program	94.006	203,147
Institute of Museum and Library Services:		
Open Source Library System	45.312	18,097
Total Expenditures of Federal awards		$ 26,604,589

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

THE COLLEGE OF NEW JERSEY

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2008

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	100-074-2401-001-KKKK-6140	$ 491,849	07/01/07 - 06/30/08	$ 491,849
Educational Opportunity Fund Grant - Summer School	100-074-2401-001-KKKK-6140	184,316	07/01/07 - 06/30/08	184,316
Higher Education Student Assistance Authority:				
Edward J. Bloustein Distinguished Scholars Award	100-074-DS10-278-KKKK-6150	1,092,596	07/01/07 - 06/30/08	1,092,596
New Jersey CLASS Loans	—	10,819,248	07/01/07 - 06/30/08	10,819,248
Outstanding Scholars Recruitment Program	100-074-2405-293-KKKK-6150	2,234,463	07/01/07 - 06/30/08	2,234,463
Tuition Aid Grant	100-074-2405-007-KKKK-6150	4,755,702	07/01/07 - 06/30/08	4,755,702
Urban Scholars Award	100-074-US11-278-KKKK-6150	127,445	07/01/07 - 06/30/08	127,445
NJ Student Tuition Assistance Reward Scholarship II	—	216,610	07/01/07 - 06/30/08	216,610
Total Student Financial Assistance Cluster				19,922,229
Research and Development Cluster:				
New Jersey Department of Transportation:				
A Comparison and Analysis of Ka-Band vs. X-Band Radar	TCNJ2004-Task Order 4	49,837	01/01/07 - 03/31/08	31,962
Total Research and Development Cluster				31,962
New Jersey Department of Health and Senior Services:				
Passed through Rowan University:				
Rebel U	—	5,000	07/01/07 - 06/30/08	3,200
New Jersey Council on the Arts:				
Passed through Mercer County Cultural and Heritage Commission:				
FY2007 General Operating Support Funds	90790104822000	4,000	01/01/07 - 12/31/07	4,000
New Jersey Department of Education:				
Alternate Route Phase I and II	MOU	374,563	09/01/05 - 08/31/07	58,820
Sign Language Teacher Preparation Lab	MOU	142,000	02/01/07 - 03/31/08	91,799
Vocational Student Organization	06-AG54-G06	121,160	07/01/06 - 09/30/07	1,877
Career and Technical Student Organization	08000078	254,170	06/01/07 - 06/30/09	108,995
New Jersey Department of Community Affairs:				
Smart Future 2004	2004-99900-0219-03	50,000	06/01/04 - 12/15/07	39,479
Smart Future 2006	2006-99900-3616-00	20,000	01/01/06 - 01/31/08	18,194
Smart Future 2007	2007-99900-2455-00	20,000	06/30/07 - 06/30/09	6,219
New Jersey Commission on Higher Education:				
Adaptive Technology Center for New Jersey Colleges	07YR3-801180-0052	156,000	07/01/06 - 09/30/07	1,918
Adaptive Technology Center for New Jersey Colleges	08YR4-801180-0052	195,000	07/01/07 - 06/30/08	187,698
Collegebound Program	07YR6-800930-0028	304,080	07/01/06 - 09/30/07	3,792
Collegebound Program	08YR1-800930-0028	270,000	07/01/07 - 06/30/08	202,000
Educational Opportunity Fund Program	100-074-2601-002-KKKK-6140	1,005,418	06/01/06 - 07/31/07	48,221
Educational Opportunity Fund Program	100-074-2401-002-KKKK-6140	337,237	06/01/07 - 07/31/08	299,201
Governor's School	08GS-801070-0001	311,376	04/01/07 - 03/31/08	291,221

(Continued)

THE COLLEGE OF NEW JERSEY

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2008

State of New Jersey grantor/pass-through grantor/ program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
Governor's School	09GS-801070-0001	$ 100,000	04/01/08 - 11/30/08	$ 1,030
Special Initiatives	08YR1-801180-0068	78,092	01/01/08 - 12/31/08	33,889
Center Service Enhancement	08YR1-801180-0063	25,000	01/01/08 - 12/31/08	8,620
Activity Grant	08YR1-800930-0069	9,450	11/16/07 - 08/31/08	1,357
New Jersey State Police Department:				
New Jersey State Police Forensic Science Internship Program	MOU	179,000	05/15/04 - 08/31/07	16,004
New Jersey Department of Transportation:				
NJ Smart Choices Initiative III	TCNJ2004 - Task Order 4	217,583	10/02/06 - 11/30/07	103,036
Exit 8A Interchange Area Transportation/Land Use Study	TCNJ2004 - Task Order 2	99,974	02/14/05 - 12/31/07	2,851
Mobility & Community Form: Linking Transportation & Land Use	TCNJ2004 - Task Order 6	466,850	11/15/07 - 11/14/09	144,054
NJ State Development and Redevelopment	—	199,986	04/02/08 - 12/31/08	29,661
New Jersey Department of Treasury:				
Passed through Rutgers, The State University of New Jersey:				
New Jersey Statewide Systemic Initiative: Standards Implementation	HE-07-03-00 / 4-21769	75,000	07/01/06 - 12/31/07	48,184
New Jersey Statewide Systemic Initiative: Regional Center	HE-08-03-00 / 4-21419	75,000	07/01/07 - 06/30/08	32,505
New Jersey Department of Human Services New Jersey Commission for the Blind and Visually Impaired:				
Professional Services to Students with Deafblindness and CBVI Staff	MOU	10,346	02/15/07 - 09/30/07	10,345
Professional Services to Students with Deafblindness and CBVI Staff	MOU	28,084	10/01/07 - 09/30/08	14,324
Teacher of the Blind & Visually Impaired Preparation Program	MOU	413,854	07/01/06 - 06/30/09	208,810
Work Skills Preparation Program	MOU	27,800	01/01/07 - 08/30/07	7,569
New Jersey Council for the Humanities:				
The Creation and Contestation of Sacred Space	2007-29	10,000	start 01/23/08	10,000
New Jersey Department of State:				
State of New Jersey Appropriation	XX-100-074-24XX-XXX	37,040,000	07/01/07 - 06/30/08	37,040,000
New Jersey Educational Facilities Authority:				
Education Leasing Fund	—	3,108,000	start 11/22/02	115,944
Higher Education Capital Improvement Fund	—	25,515,000	start 11/21/02	23,253
Interdepartmental Accounts:				
State Fringe Benefits Other Than FICA	XX-100-094-9410-XXX	15,305,718	07/01/07 - 06/30/08	15,305,718
FICA - State Colleges and Universities Reimbursement Program	XX-100-094-9410-137	4,949,126	07/01/07 - 06/30/08	4,949,126
Total expenditures of State of New Jersey awards				$ 79,427,105

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

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

Notes to Schedules of Expenditures of Federal and
State of New Jersey Awards

Year ended June 30, 2008

(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 2008 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, 2008 was $4,753,322 and $133,804, 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 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, 2008.

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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, 2008, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 3, 2008. 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., a component unit of The College of New Jersey, 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 an 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the board of trustees and management of the College and Federal and State of New Jersey awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 3, 2008

KPMG LLP
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Independent Auditors' Report on Compliance With Requirements Applicable to 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 compliance of The College of New Jersey (the College) 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 are applicable to each of its major Federal and State of New Jersey programs for the year ended June 30, 2008, 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 auditors' 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, 2008 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 requirements referred to in the first paragraph above that are applicable to each of its major Federal and State of New Jersey programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with Federal OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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, 2008 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal or State of New Jersey program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal or State of New Jersey program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal or State of New Jersey program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal or State of New Jersey program will not be prevented or detected by the entity's internal control. We did not consider the deficiency in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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

KPMG LLP

November 24, 2008

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

(1) Summary of Auditors' 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, 2008, which collectively comprise the College's basic financial statements.

(b) The audit disclosed no material weaknesses and no significant deficiencies were reported in connection with the financial statements of the College as of and for the year ended June 30, 2008.

(c) The audit disclosed no instances of noncompliance which are material to the financial statements of the College as of and for the year ended June 30, 2008.

(d) The audit disclosed no material weaknesses in connection with major Federal or State of New Jersey programs of the College for the year ended June 30, 2008. One significant deficiency (08-1) was reported in connection with major Federal programs and no significant deficiencies were reported in connection with major State of New Jersey programs of the College for the year ended June 30, 2008.

(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, 2008.

(f) There was one audit finding (08-1) which is required to be reported under Section 510(a) of Federal OMB Circular A-133 and no audit findings which are required to be reported under New Jersey OMB Circular 04-04 for the year ended June 30, 2008.

(g) The major Federal and State of New Jersey programs of the College for the year ended June 30, 2008 were as follows:

Federal

- Student Financial Assistance Cluster (CFDA #93.364, 84.007, 84.032, 84.033, 84.038, 84.063, 84.375, and 84.376)
- Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (CFDA #84.326)

State of New Jersey

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

(h) The dollar threshold used to distinguish between type A and type B programs was $300,000 for Federal awards and $947,036 for State of New Jersey awards for the year ended June 30, 2008.

(i) The College qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2008.

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

No findings which are required to be reported.

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

Federal Awards

08-1 – Activities Allowed or Unallowed

U.S. Department of Education:
Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities, CFDA #84.326, Grant Award No. H326C030028-06
October 1, 2007 to September 30, 2008

Criteria

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

Condition and Effect

For one of the twenty-five transactions selected for testwork, there was no evidence of a secondary level of review of approval. This amount was considered to be allowable under the programs' requirements. For one of the twenty-five transactions selected for testwork, the transaction was approved by a secondary level however the charge was not allowable under the programs' requirements.

Questioned Costs

The amount expended for the unallowable charge was $41 and the total amount included in the sample was approximately $16,000. The total amount expended for other than personal service charges was approximately $22,500.

Cause

The designated accounting personnel that performed the secondary level of review and approval was absent for a few days.

Recommendation

We recommend that the College strengthen its review process to ensure that all grant expenditures are allowable and a secondary level of review is indicated on the supporting documentation.

View of Responsible Official

The College has modified its review process to ensure that all grant expenditures are allowable by designating additional accounting personnel as part of the secondary level of review and approval. This will ensure adequate coverage and timely processing of payments in the event of an employee absence.

State of New Jersey Awards

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