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, 2007

(With Independent Auditors' Reports Thereon)

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

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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, 2007 with the comparative information as of June 30, 2006 and 2005. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and Government Accounting Standards Board (GASB) principles. The MD&A, 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 also 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 Art, Media and Music; 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 2006, TCNJ enrolled 5,925 full-time equivalent undergraduate students and 425 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

A 15 member board of trustees governs the College. The board of trustees is established pursuant to Chapter 64 of Title 18A of the New Jersey Statutes.

The College has a central governance structure intended to support the President by providing an organized forum through which faculty, students, staff, and administrators may receive information regarding College processes. The governance structure does not limit the power of the board of trustees to develop and approve policy if and when it may deem necessary.

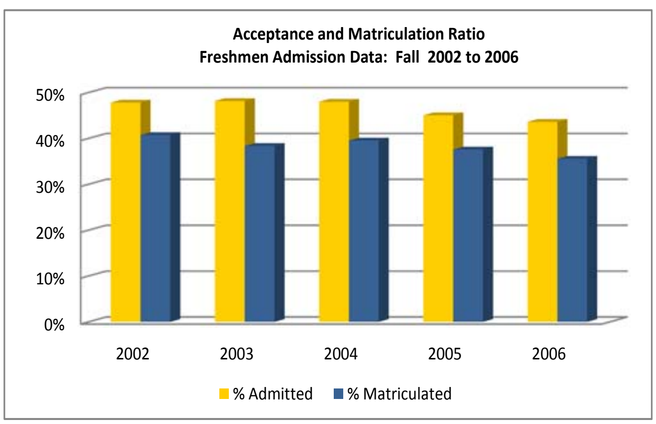
Academic Profile

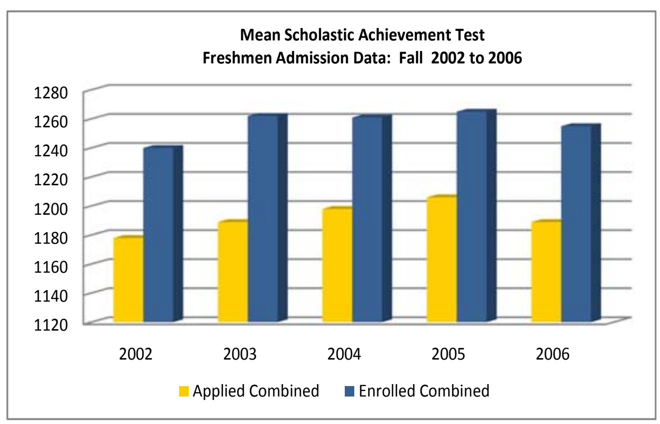
Faculty

In fall 2006, the College's overall full-time equivalent (FTE) faculty count was 495. Approximately 67% of the total faculty FTE was full-time (332) and the remaining 33% (163) included permanent part-time faculty, adjunct, and teaching professional staff. During this same period, the total student FTE was 6,350 and the student-to-faculty ratio was 13:1. Seventy percent of the full-time faculty is tenured and 89% have a doctorate or other terminal degree. The College does not employ graduate teaching assistants and that increases faculty involvement in the curriculum and enriches student learning.

Student

The College enjoys a healthy student demand as reflected in the acceptance and matriculation ratio graphs. The fall 2006 full-time freshmen class enrolled 1,270 students yielding a 36% matriculation ratio based upon a 44% acceptance ratio for 8,185 applicants. The mean Scholastic Aptitude Test (SAT) for this group was a combined 1255. Currently, 95% of the freshmen class and 60% of all undergraduate students live on campus. Fall 2006 also brought 319 new transfer students into the College. The transfer matriculation rate was 52% and this was based on a 61% transfer acceptance ratio of 1,006 applicants.





The 2006–2007 academic year concluded with the awarding of 1,339 bachelor's degrees, 304 master's degrees, and 97 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. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of an institution's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

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 $44.2 and $42.8 million for the years ended June 30, 2007 and 2006, 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, 2007 and 2006, scholarship allowance totaled $24.0 and $22.7 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $11.6 and $10.6 million for the years ended June 30, 2007 and 2006, 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. A significant portion of these funds have been designated for capital projects and for debt service requirements in fiscal year 2008.

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 2007 and 2006. Assets, excluding capital assets, are generally carried at estimated fair market value. 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 trade accounts payable, deferred revenues, and the current portion of long-term debt.

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, 2007, 2006, and 2005 is as follows:

		2007	2006	2005
		(Amounts in thousands)		
Assets:				
Current assets	$	84,612	98,666	37,847
Noncurrent assets		577,145	554,621	614,318
Total assets		661,757	653,287	652,165
Liabilities:				
Current liabilities		28,520	28,809	29,416
Noncurrent liabilities		338,002	341,859	346,502
Total liabilities		366,522	370,668	375,918
Net assets:				
Invested in capital assets, net of related debt		244,220	236,826	228,620
Restricted for:				
Student loans		555	726	600
Debt service		444	1,096	1,096
Renewal and replacement		250	2,362	2,362
Unrestricted		49,766	41,609	43,569
Total net assets	$	295,235	282,619	276,247

Statement of Net Assets Financial Highlights

Assets

During fiscal years 2007 and 2006, the College's total assets increased by $8.5 million or 1.3% and $1.1 million or 0.2%, respectively. 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.

In fiscal year 2006, cash and cash equivalents increased by $3.9 million or 75.0% primarily due to the collection of $2.0 million in capital grants receivable for the Clean Energy Program, plus cash reimbursements from deposits held by bond trustees for capital expenses paid in the previous year.

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.

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Deposits held with bond trustees had a net increase of $1.4 million or 1.4% in fiscal year 2006, due to the receipt of an $18.5 million settlement for the on-campus apartment complex plus investment appreciation. This increase was offset by reimbursements from bond construction funds for capital expenditures.

During fiscal year 2007, capital assets had a net increase of $3.2 million primarily due to construction-in-progress projects that were mainly funded by bonds. This was offset by an increase in the current year depreciation expense.

Capital assets had a net decrease in fiscal year 2006 of $5.1 million primarily due to depreciation expense coupled with the write-down of the on-campus apartment complex carrying value and its capitalized interest allocation. The decrease was offset by additions to construction-in-progress projects that are funded by various bond issues.

Liabilities

In fiscal years 2007 and 2006, the College's current liabilities remained relatively stable. Noncurrent liabilities decreased by $3.9 million or 1.1% and $4.6 million or 1.3% in fiscal years 2007 and 2006, respectively. For both years, 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 increase to total net assets.

During fiscal years 2007 and 2006, total net assets increased by $12.6 million or 4.5% and $6.4 million or 2.3%, respectively. In both fiscal years, the increase was 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 2007 and 2006, the College's current assets were sufficient to cover current liabilities, as the current ratios were 3.0:1 and 3.4:1, 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, 2007, 2006, and 2005 is as follows:

		2007	2006	2005
		(Amounts in thousands)		
Net student revenues	$	84,320	74,281	69,657
Government grants and contracts		18,001	18,600	18,243
Auxiliary activities		4,798	4,646	3,873
Other		2,317	1,838	2,193
Operating revenues		109,436	99,365	93,966
Instruction and research		50,563	48,509	46,478
Auxiliary activities		24,304	22,677	21,480
Institutional support		11,116	11,225	12,105
Operation and maintenance of plant		15,889	15,927	16,043
Student services		10,635	11,168	10,909
Academic support		11,491	10,964	11,487
Depreciation		11,583	10,566	10,241
Other		5,438	4,778	4,487
Operating expenses		141,019	135,814	133,230
Operating loss		(31,583)	(36,449)	(39,264)
NJ State and government appropriations		53,851	56,109	53,474
Other expenses, net		(9,652)	(13,288)	(1,132)
Net nonoperating revenues		44,199	42,821	52,342
Increase in net assets		12,616	6,372	13,078
Net assets, beginning of year		282,619	276,247	263,169
Net assets, end of year	$	295,235	282,619	276,247

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

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, amounting to 77.0% and 74.8% of total operating revenue in fiscal years 2007 and 2006, respectively.

Tuition and fees increased $8.2 million or 12.3% and $4.9 million or 7.9% in fiscal years 2007 and 2006, respectively. These increases were attributed to a general tuition increase of 8% and 6.5% in fiscal years 2007 and 2006, respectively, coupled with an increase in student enrollment during fiscal year 2007.

Student housing and fees increased $3.1 million or 10.3% and $1.6 million or 5.7% in fiscal years 2007 and 2006, respectively. These increases were attributed to the room and board increase of 4.75% and 4.5% in fiscal years 2007 and 2006, respectively, coupled with an increased demand for student housing.

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 and $172 thousand, respectively. This was offset by a significant decrease of $1.1 million in OSRP funding from the State.

In fiscal year 2006, scholarship allowance increased $1.9 million, or 9.2%, which was mainly due to an increase in College and State funded scholarships programs. The College-funded scholarships accounted for $1.6 million of the overall increase. The State funded TAG and the OSRP had modest increases in fiscal year 2006.

		2007	2006	2005
			(Amounts in thousands)	
State scholarships	$	9,469	9,939	9,563
Federal scholarships		2,740	2,541	2,652
College scholarships		11,805	10,207	8,569
Total scholarships	$	24,014	22,687	20,784

Auxiliary Activities

Auxiliary activities, which are self-funding activities, accounted for approximately 4.4% and 4.7% of the total operating revenues in fiscal years 2007 and 2006, respectively. Included in auxiliary activities are revenues derived 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 2007, Government grants and contracts revenue decreased by $599 thousand, or 3.2%. Federal grants and contracts increased with additional revenues of $764 thousand while the State decreased by $1.3 million. The increase in the federal grant revenues was generated primarily by the Teacher Quality Enhancement Grant, Genomic Analysis grant, and Federal Pell Grants.

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 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.

In fiscal year 2006, Government grants and contracts revenue increased by $357 thousand, or 2.0%. State grants and contracts increased with additional revenues of $892 thousand while the federal decreased by $535 thousand. The increase in the State grant revenues was generated primarily by the New Jersey Smart Choice grant plus increased State funding for the TAG and OSRP. The decrease in the federal grant revenue was primarily due to various federally funded grants coming to a close during fiscal year 2006, offset by a new Teacher Quality Enhancement Grant and increased revenue generated by the Bonner Center federal earmarks.

Operating Expenses

In fiscal years 2007 and 2006, total operating expenses were $141.0 and $135.8 million, respectively.

The combination of instruction and research represents the College's largest operating expense category. In fiscal year 2007, instructional expenses had a modest increase, while additional funds were made available for College funded research activities. Research expenditures increased significantly because all eligible faculty were given research alternate assignments under the academic transformation curriculum.

In fiscal year 2006, instructional expenses increased significantly by over $2.1 million or 5.2%, while research expenditures remained stable. The increase in instruction in fiscal year 2006 was mainly due to the filling of some vacant faculty positions coupled with contractual salary increases.

The increase in academic support in fiscal year 2007 was mainly due to salary and fringe benefits increase plus additional academic self-funded enterprise expenditures. The decrease in academic support in fiscal year 2006 was due to the reduction in grant funded expenditures.

The decreases in institutional support in fiscal years 2007 and 2006 were due to the continued cost-saving measures being employed in the administrative areas due to budgetary constraints. The fiscal year 2007 decrease in student services expenditures was primarily due to the elimination of some athletic programs and the consolidation of departments due to the reduction in state funding. In fiscal year 2006, student services had a modest increase from the previous year.

Public service expense increased significantly in fiscal year 2007, by $1.6 million, or 46.1% primarily due to the receipt of new public service-oriented grants and increased expenditures on existing grants. In fiscal year 2006, public service expense remained stable.

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Auxiliary expenses increased by $1.6 and $1.2 million, or 7.2% and 5.6%, in fiscal years 2007 and 2006, respectively. The increases were due to higher meal plan rates and increased student participation. In both fiscal years, a major expense driver was the cost of fuel and utilities for the student residence halls.

Operation and maintenance of plant remained relatively stable during fiscal years 2007 and 2006. This was mainly due to savings generated from the College's energy conservation program, including the gas hedge program that stabilizes the fuel and utilities costs. These savings were offset by additional expenditures in the security and occupational safety departments.

Operating Margin

According to GASB Statement No. 35 significant resources of the College are categorized as nonoperating revenues. The fiscal years 2007 and 2006 operating losses were $31.6 million and $36.4 million, respectively. The operating loss represents the difference between the operating revenues and operating expenses. A measure of operating performance is the College's operating margin, 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. The College had an annual operating margin of 10.1% and 8.7% in fiscal years 2007 and 2006, respectively.

Net Nonoperating Revenues (Expenses)

New Jersey State Appropriations

New Jersey state appropriations represented 31.9% and 35.4% of the total College revenues in fiscal years 2007 and 2006, respectively. The level of state support is therefore a key factor influencing the College's overall financial condition. The state appropriations include amounts appropriated by the State legislature and employees' fringe benefits paid by the state.

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

In fiscal year 2007, the base state appropriation to the College was reduced by $3.0 million. The College also endured another reduction due to the lack of funding for the wage increases collectively bargained at the State level. This translated into a further cut of $3.5 million bringing the total reduction of state appropriations in fiscal year 2007 to $6.5 million. In response to these cuts, 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.

In fiscal year 2006, the gross state support to the College increased by $2.6 million or 4.9%, due to the partial funding of the state negotiated salary program plus increases in fringe benefits.

The breakdown of the state appropriations at June 30, 2007, 2006, and 2005 is as follows:

		2007	2006	2005
			(Amounts in thousands)	
Net state appropriations	$	35,016	37,977	36,807
Fringe benefits		18,672	17,969	16,504
Gross state support	$	53,688	55,946	53,311

Investment Income

Investment income had significant increases during fiscal years 2007 and 2006 of $2.4 million and $1.2 million, respectively. These increases were a direct result of the rise in short-term interest rates plus higher average cash and investment balances.

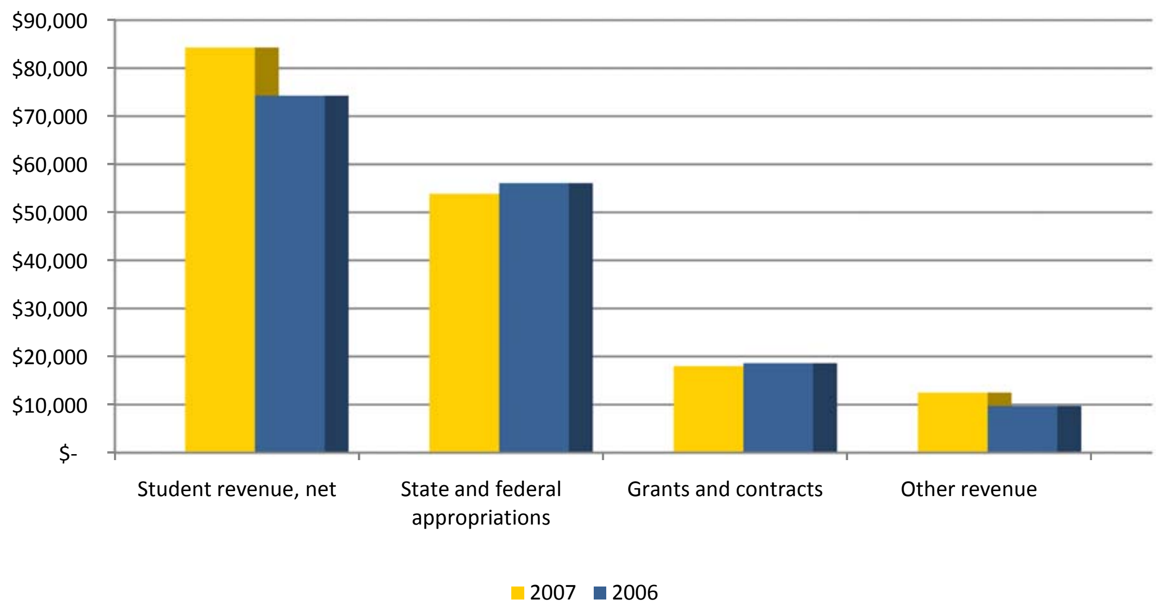
Interest Expense

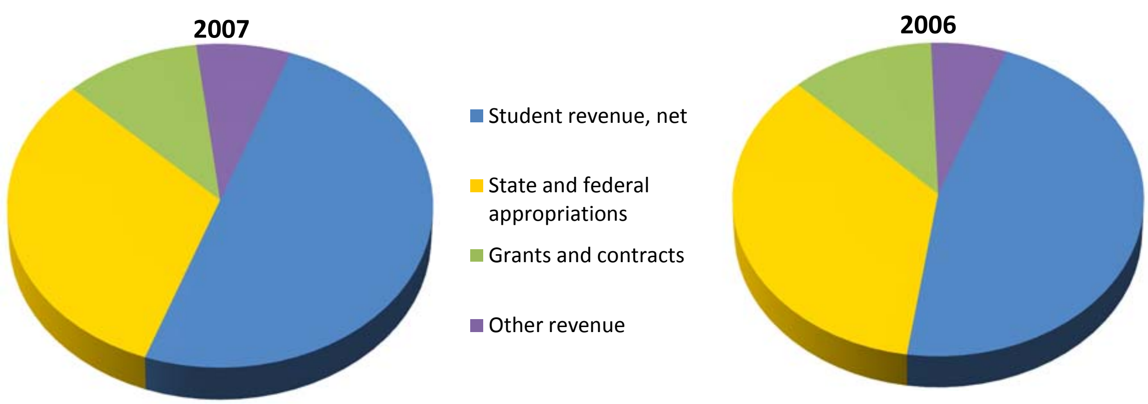
Interest expense is traditionally offset by the amount of interest capitalized during the construction phase of major projects. During fiscal years 2007 and 2006, interest expense had a significant increase primarily due to the completion of capital construction projects which, resulted in less interest expense being capitalized.

Other Expenses, Net

In fiscal year 2007, other nonoperating expenses decreased $3.8 million, or 50%. This decrease was due to the adjustment of capitalized interest associated with an impaired asset during fiscal year 2006. During fiscal year 2006, the College adjusted the carrying value of an impaired capital asset and the associated capitalized interest on that project. This was a major component of the increase in other nonoperating expenses.

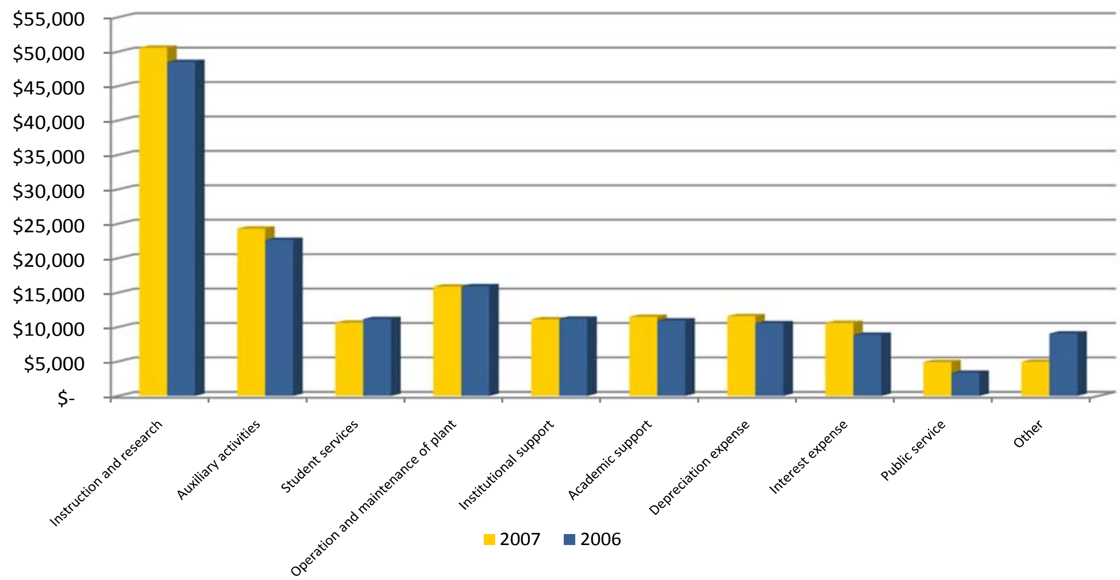
The following is an illustration of revenues by source (both operating and nonoperating), that were used to fund the College's activities for the years ended June 30, 2007 and 2006 (amounts in thousands):

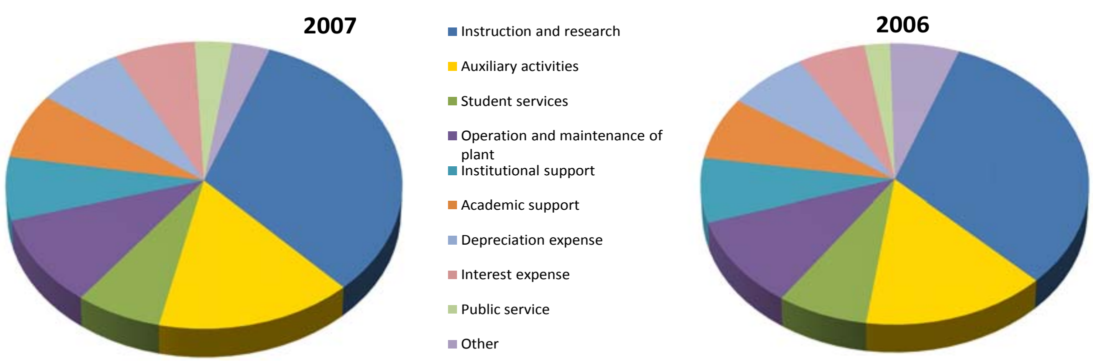




	2007			2006		
	Amount		Percent	Amount		Percent
	(Amounts in thousands)					
Student revenue, net	$	84,320	50.0%	$	74,281	46.8%
State and federal appropriations		53,851	31.9%		56,109	35.4%
Grants and contracts		18,001	10.7%		18,600	11.7%
Other revenue		12,496	7.4%		9,729	6.1%
	$	168,668	100.0%	$	158,719	100.0%

The following is an illustration of expenses by function (both operating and nonoperating) for the fiscal years ended June 30, 2007 and 2006 (amounts in thousands):





	2007		2006	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Instruction and research	$ 50,563	32.4%	$ 48,509	31.8%
Auxiliary activities	24,304	15.6%	22,677	14.9%
Student services	10,635	6.8%	11,168	7.3%
Operation and maintenance of plant	15,889	10.2%	15,927	10.5%
Institutional support	11,116	7.1%	11,225	7.4%
Academic support	11,491	7.4%	10,964	7.2%
Depreciation expense	11,583	7.4%	10,566	6.9%
Interest expense	10,592	6.8%	8,883	5.8%
Public service	4,916	3.1%	3,364	2.2%
Other	4,963	3.2%	9,064	6.0%
	$ 156,052	100.0%	$ 152,347	100.0%

Capital Assets

At June 30, 2007, the College had $469.8 million invested in capital assets, net of accumulated depreciation of $113.8 million. Depreciation charges totaled $11.6 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, 2007, 2006, and 2005:

	2007	2006	2005
		(Amounts in thousands)	
Additions (transfers):			
Buildings and building improvements	$ 137,280	1,362	3,486
Infrastructure	16,891	508	9,356
Equipment and other assets	7,715	4,424	4,586
Construction in progress	(147,102)	(816)	33,620
Net total additions	$ 14,784	5,478	51,048

Long-Term Debt

At June 30, 2007, the College had $337.2 million in outstanding bonds and other long-term obligations, compared to $341.8 million at June 30, 2006. Additional information about the College's existing long-term liabilities is presented in note 9 to the financial statements. No new debt was issued during fiscal year 2007 or 2006.

Economic Factors that Will Affect the Future

For the fiscal years ending June 30, 2007 and 2006, the College finished with $12.6 million and $6.4 million or 4.5% and 2.3% increase in net assets, respectively. The increase in net assets is one indicator that the College's financial health continues to improve, reflecting sound and careful fiscal management across the institution.

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 effect financial efficiencies and preserve organizational effectiveness.

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.

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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, 2007 and 2006, 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, 2007 and 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2007 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 14 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 2007 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2007 basic financial statements taken as a whole.

KPMG LLP

October 11, 2007

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 (less allowance 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		2,317	—	2,317
Total current assets		84,612	5,656	90,268
Noncurrent assets:				
Student loans receivable (less allowance 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 (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 (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 Net Assets

June 30, 2006

(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	$ 9,028	571	9,599
Receivables:			
Student accounts (less allowance of $453)	858	—	858
Student loans	780	—	780
Grants	407	—	407
Due from State of New Jersey (note 5)	1,636	—	1,636
Other	2,387	—	2,387
Total receivables	6,068	—	6,068
Investments (note 4)	53,071	1,081	54,152
Deposits held with bond trustees (note 7)	28,480	—	28,480
Prepaid expenses	2,019	—	2,019
Total current assets	98,666	1,652	100,318
Noncurrent assets:			
Student loans receivable (less allowance of $222)	3,525	—	3,525
Deposits held with bond trustees (note 7)	76,992	—	76,992
Other assets	—	95	95
Investments (note 4)	640	6,530	7,170
Deferred financing costs and deferred loss, net of accumulated amortization of $2,193	6,871	—	6,871
Capital assets, net (note 6)	466,593	—	466,593
Total noncurrent assets	554,621	6,625	561,246
Total assets	653,287	8,277	661,564
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (note 8)	18,311	11	18,322
Compensated absences – current portion (note 12)	2,013	—	2,013
Due to TCNJ Foundation (due from College)	22	(22)	—
Due to TSC Corporation (note 3)	4	—	4
Deferred revenue and student deposits	3,877	—	3,877
Bonds payable – current portion (note 9)	3,922	—	3,922
Other long-term obligations – current portion (note 9)	660	—	660
Total current liabilities	28,809	(11)	28,798
Noncurrent liabilities (note 9):			
Compensated absences – noncurrent (note 12)	245	—	245
U.S. and Government grants refundable	4,414	—	4,414
Bonds payable – noncurrent (note 9)	327,099	—	327,099
Other long-term obligations (note 9)	10,101	70	10,171
Total noncurrent liabilities	341,859	70	341,929
Total liabilities	370,668	59	370,727
Net Assets			
Invested in capital assets, net of related debt	236,826	—	236,826
Restricted:			
Nonexpendable:			
Scholarships	—	2,661	2,661
Expendable:			
Scholarships	—	3,468	3,468
Research	—	299	299
Other	—	776	776
Student loans	726	—	726
Debt service reserve collateral requirement	1,096	—	1,096
Renewal and replacement and maintenance reserves	2,362	—	2,362
Unrestricted (note 13)	41,609	1,014	42,623
Total net assets	$ 282,619	8,218	290,837

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)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2006

(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	$ 67,108	—	67,108
Less tuition scholarship allowances	(17,866)	—	(17,866)
Net student tuition and fees	49,242	—	49,242
Student housing and fees	29,860	—	29,860
Less housing scholarship allowances	(4,821)	—	(4,821)
Net student housing and fees	25,039	—	25,039
Federal grants and contracts	4,519	—	4,519
State of New Jersey grants and contracts	14,081	—	14,081
Auxiliary activities	4,646	—	4,646
Contributions	—	2,021	2,021
Interest on student loans receivable	76	—	76
Other operating revenues	1,762	—	1,762
Total operating revenues	99,365	2,021	101,386
Operating expenses:			
Instruction	42,333	—	42,333
Research	6,176	—	6,176
Academic support	10,964	—	10,964
Public service	3,364	—	3,364
Student services	11,168	—	11,168
Operation and maintenance of plant	15,927	—	15,927
Institutional support	11,225	—	11,225
Scholarships and fellowships	1,414	282	1,696
Auxiliary activities	22,677	—	22,677
Fund-raising	—	224	224
Depreciation	10,566	—	10,566
Total operating expenses	135,814	506	136,320
Operating (loss) income	(36,449)	1,515	(34,934)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	37,977	—	37,977
State of New Jersey fringe benefits	17,969	—	17,969
Government appropriations	163	—	163
Investment income	3,000	533	3,533
Interest expense	(8,883)	—	(8,883)
Transactions with affiliates (note 3)	245	(1,244)	(999)
Other expenses, net	(7,650)	(286)	(7,936)
Net nonoperating revenues (expenses)	42,821	(997)	41,824
Income before other revenues	6,372	518	6,890
Additions to permanent endowments	—	400	400
Increase in net assets	6,372	918	7,290
Net assets as of beginning of year	276,247	7,300	283,547
Net assets as of end of year	$ 282,619	8,218	290,837

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, 2007 and 2006

(Amounts in thousands)

		2007	2006
Cash flows from operating activities:			
Student tuition and fees	$	57,704	49,646
Federal, State, and local grants and contracts		17,422	20,981
Payments to suppliers		(16,007)	(20,136)
Payments to employees		(73,155)	(70,277)
Payments for benefits		(2,296)	(748)
Student housing and auxiliary activities		13,080	12,283
Other receipts, net		2,317	1,838
Net cash used by operating activities		(935)	(6,413)
Cash flows from noncapital financing activities:			
New Jersey State appropriations		35,352	37,648
Other receipts, net		(669)	(901)
Net cash provided by noncapital financing activities		34,683	36,747
Cash flows from capital and related financing activities:			
Purchase of capital assets		(15,624)	(26,951)
Withdrawals from deposits held with bond trustees		7,524	20,134
Principal payments on bonds and other obligations		(4,623)	(3,060)
Interest payments on bonds and other obligations		(15,254)	(15,637)
Net cash used by capital and related financing activities		(27,977)	(25,514)
Cash flows from investing activities:			
Interest on investments		2,627	541
Purchases of investments		(75,795)	(120,220)
Maturities of investments		116,195	118,728
Net cash provided by (used by) investing activities		43,027	(951)
Net increase in cash and cash equivalents		48,798	3,869
Cash and cash equivalents as of beginning of year		9,028	5,159
Cash and cash equivalents as of end of year	$	57,826	9,028
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$	(31,583)	(36,449)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation		11,583	10,566
State of New Jersey fringe benefits		18,672	17,969
Changes in assets and liabilities:			
Receivables, net		(610)	2,977
Prepaid expenses		(298)	584
Accounts payable and accrued expenses		(349)	(4,447)
Accrued salaries		(533)	2,245
Other accrued expenses		1,173	(7)
Deferred revenue and student deposits		1,010	149
Net cash used by operating activities	$	(935)	(6,413)

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 (Art, Media and Music, Science, Culture and Society, Business, Education, Nursing, and Engineering). In the fall of 2006, the College enrolled 5,925 full-time equated undergraduate students and 425 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 2007 and 2006 reflect net increase in fair value of investments of $84 and $224, 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.

(Continued)

(Dollar amounts in thousands)

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

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

Estimated obligations to complete construction in progress as of June 30, 2007 and 2006 are approximately $10,504 and $13,161, respectively. 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 $836 and $752 in fiscal years 2007 and 2006, 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 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 a political subdivision and, as such, is exempt from New Jersey State and Federal income taxes under Internal Revenue Service code Section 115.

(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 $1,135 and $1,244 during fiscal years 2007 and 2006, respectively. As of June 30, 2007 and 2006, net payables of $1 and $23, respectively, were due to the Foundation (see note 16).

(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 2007 and 2006, the College incurred $264 and $215, 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, 2007 and 2006, there were outstanding payables relating to these expenses of $48 and $20, 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 $275 for 2007 and $293 for 2006, of which $50 and $16 were outstanding as of June 30, 2007 and 2006, respectively.

(Dollar amounts in thousands)

The Corporation 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. During fiscal years 2007 and 2006, the revenues remitted from the College to the Corporation for Country Club Apartments were $402 and $385, respectively. 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. The revenues remitted for Transfer Housing during fiscal year 2006 was $451.

(4) Cash, Cash Equivalents, and Investments

Cash and cash equivalents were $57,826 and $9,028 as of June 30, 2007 and 2006, respectively, which included $54,354 and $5,451, respectively, held in the State of New Jersey Cash Management fund and $3,472 and $3,577, 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, 2007 and 2006 are as follows:

	2007	2006
U.S. Treasury securities	$ —	45,956
Commonfund – Short-term fund	9,631	7,115
Commonfund – Intermediate-term fund	3,510	640
Total	$ 13,141	53,711

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, 2006, the College's investments in U.S. Agency bonds were rated AAA. Of the total investment pool, 85.6% was invested in U.S. Treasury securities.

(Dollar amounts in thousands)

The Commonfund is a mutual fund. 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	—

As of June 30, 2006, the credit quality of the investments that comprise the Commonfund intermediate and short-term funds is as follows:

	Intermediate	Short-term
AAA	73%	64%
AA	11	6
A	14	—
A1+/P1 or A1/P1	—	30
Other	2	—

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, 2007 and 2006, the College's debt securities are due to mature in less than one year.

(5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2007 and 2006:

	2007	2006
FICA benefit reimbursement	$ 989	584
Net appropriation	—	330
Asbestos Abatement Project	—	6
Alternative Benefit Programs (ABP)	1,011	716
Total	$ 2,000	1,636

(Dollar amounts in thousands)

(6) Capital Assets

Capital asset activity for the years ended June 30, 2007 and 2006 was as follows:

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

(Dollar amounts in thousands)

2006		Beginning balance	Additions	Transfers/ retirements	Ending balance
Nondepreciable assets:					
Land	$	21,157	—	—	21,157
Construction in progress		172,867	23,215	(24,031)	172,051
Total nondepreciable assets		194,024	23,215	(24,031)	193,208
Depreciable assets:					
Land improvements		230	—	—	230
Buildings		285,615	—	—	285,615
Building improvements		29,173	1,362	—	30,535
Infrastructure		17,166	508	—	17,674
Equipment and other assets		37,119	4,424	—	41,543
Total depreciable assets		369,303	6,294	—	375,597
Total capital assets		563,327	29,509	(24,031)	568,805
Accumulated depreciation:					
Land improvements		(92)	(9)	—	(101)
Buildings		(60,833)	(5,747)	—	(66,580)
Building improvements		(7,025)	(1,167)	—	(8,192)
Infrastructure		(1,388)	(490)	—	(1,878)
Equipment and other assets		(22,308)	(3,153)	—	(25,461)
Total accumulated depreciation		(91,646)	(10,566)	—	(102,212)
Capital assets, net	$	471,681	18,943	(24,031)	466,593

As of June 30, 2007 and 2006, the College's bond obligations were collateralized by buildings and equipment with book values of $356,015 and $363,930, respectively. During fiscal years 2007 and 2006, interest income on bond construction funds was $2,473 and $3,056, respectively. Interest expense on these same bond funds was $4,450 for 2007 and $6,541 for 2006 resulting in net interest costs of $1,977 and $3,485, respectively, being capitalized and included in construction in progress.

In 2005 management terminated the contractor for an on-campus apartment complex (the Project) budgeted at $27.5 million as a result of water damage in the buildings. During fiscal year 2006 the College accepted a monetary settlement from the insurance company in the amount of $18.5 million. Management has adjusted the carrying value of construction in progress and recorded the settlement as deposits held with bond trustees in the accompanying statement of net assets as of June 30, 2006.

(Continued)

(Dollar amounts in thousands)

(7) Deposits Held with Bond Trustees

Deposits held with bond trustees represent restricted funds held by Wachovia Bank and The Bank of New York, (the trustees), under the terms of various lease agreements and bond indentures. Pursuant to these agreements, the trustees must maintain an aggregate of approximately $444 and $1,096 in reserves for debt service as of June 30, 2007 and 2006, respectively. 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, 2007 and 2006, deposits with bond trustees include the following:

		2007	2006
Construction funds	$	93,880	97,842
Renewal and replacement funds		258	1,021
Debt service reserve funds		456	1,112
Rental pledge		6,892	5,497
Total	$	101,486	105,472

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, 2007 and 2006, deposits held with bond trustees included $20,833 and $21,117, 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, 2007 and 2006:

		2007	2006
Bond principal and interest	$	6,155	4,945
Vendors		5,506	4,500
Accrued salaries and benefits		2,544	4,555
Accrued expense – construction		3,224	4,311
Total	$	17,429	18,311

(Continued)

(Dollar amounts in thousands)

(9) Noncurrent Liabilities

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

The following is a breakout of all bonds payable, and other long-term obligations, as of June 30, 2007 and 2006:

		2007	2006
Bonds payable:			
New Jersey Educational Facilities Authority:			
1972 Series A (interest 6.00%, maturing on July 1, 2007)	$	—	615
1976 Series D (interest 6.75%, maturing on July 1, 2008)		416	805
1999 Series A (interest 4.60%, maturing on July 1, 2029)		143,855	144,855
2002 Series C (interest 4.00% to 5.38%, maturing on July 1, 2019)		45,140	47,100
2002 Series D (interest 3.67% to 4.42%, maturing on July 1, 2035)		138,550	138,550
Subtotal bonds payable		327,961	331,925
Less bond discount		(861)	(904)
Total bonds payable	$	327,100	331,021
Other long-term obligations:			
Dormitory Safety Trust Fund (interest 5%, maturing on January 15, 2018)	$	1,122	1,239
PSE&G Capital Lease (interest 5.15%, maturing on June 1, 2008)		214	417
Equipment Leasing Series 2003A (interest 2.00% to 5.00%, maturing on August 1, 2011)		509	600
Higher Education Capital Improvement Fund (interest 4.52% to 5.25% maturing on August 15, 2022)		8,257	8,505
Total other long-term obligations	$	10,102	10,761

(Dollar amounts in thousands)

Aggregate principal and interest repayments required during the next five fiscal years and thereafter are as follows as of June 30, 2007:

		Bond principal	Other long-term obligations principal	Bond interest	Other long-term obligations interest
Year ending June 30:					
2008	$	3,137	683	14,777	440
2009		3,410	488	14,637	416
2010		2,845	506	14,501	398
2011		3,050	526	14,387	379
2012		3,255	543	14,266	361
2013–2017		19,915	2,333	68,844	1,545
2018–2022		69,065	3,408	60,282	974
2023–2027		84,340	1,615	39,930	42
2028–2032		90,775	—	20,082	—
2033–2035		48,169	—	3,999	—
	$	327,961	10,102	265,705	4,555

The College has defeased certain indebtedness during fiscal years 1999 and 2002 by depositing funds into escrow accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. These bonds are not considered outstanding obligations of the College and, therefore, neither the assets of the escrow accounts nor the defeased indebtedness are included in the accompanying statements of net assets. The principal outstanding on the defeased bonds as of June 30, 2007 and 2006 was as follows:

		Principal amount	
		2007	2006
Bond Series:			
1996A	$	—	75,185

(Dollar amounts in thousands)

Noncurrent liabilities activity for the years ended June 30, 2007 and 2006 is as follows:

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

2006		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	2,477	—	(219)	2,258	2,013
U.S. and Government grants refundable		4,401	13	—	4,414	—
Bonds payable		333,638	—	(2,617)	331,021	3,922
Other long-term obligations		11,161	—	(400)	10,761	660
Total noncurrent liabilities	$	351,677	13	(3,236)	348,454	6,595

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 fifteen percent (115%) for 1976 Series D and 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.

The New Jersey Educational Facilities Authority, on behalf of the College, issued debt in a variable rate mode that has been synthetically fixed through interest rate swaps. The par amounts were $146,455 and $138,550 for Series 1999A and Series 2002D, respectively.

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

(Dollar amounts in thousands)

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 and 2006.

Under certain scenarios, the swap could be terminated prior to its scheduled termination date of July 1, 2029. The full listing of termination events is in the Master Agreement and the Schedule to the Master Agreement. In addition to standard events of default or illegalities, an early termination could be triggered by a credit event or a failure of the counterparty to make certain payments under the terms of the swap agreement.

If at the time of termination the swap has a negative fair value, the College would be liable to the counterparty for a payment equal to the market value of the swap, including accrued interest.

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
1999A:		
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%

(Continued)

(Dollar amounts in thousands)

Fiscal year ending June 30		Variable-rate bonds Principal	Variable-rate bonds Interest	Interest rate swaps, net	Total
2008	$	—	5,308	1,466	6,774
2009		—	5,308	1,466	6,774
2010		—	5,308	1,466	6,774
2011		—	5,308	1,466	6,774
2012		—	5,308	1,466	6,774
2013–2017		—	26,540	7,330	33,870
2018–2022		59,165	23,722	6,552	89,439
2023–2027		61,290	9,140	2,524	72,954
2028–2029		23,400	1,300	359	25,059
Total	$	143,855	87,242	24,095	255,192

The swap notional amount of the Series 2002D is $138,550. Based on the swap agreement, the College owes interest calculated at a fixed rate of 4.1% to the counterparty of the swap. In return, the counterparty owes the College floating rate interest based on 67% of 1-month LIBOR. Only the net difference in interest payments is actually exchanged with the counterparty. The $138,550 in bond principal is not exchanged; it is only the basis on which the interest payments are 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 and ratings of A+ by Standard & Poor's and Aa3 by Moody's as of June 30, 2006.

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%.

(Continued)

(Dollar amounts in thousands)

Under certain scenarios, the swap could be terminated prior to its scheduled termination date of July 1, 2035. The full listing of termination events is in the Master Agreement and the Schedule to the Master Agreement. In addition to standard events of default or illegalities, an early termination could be triggered by a credit event or a failure to post collateral.

Upon the occurrence of a standard ISDA event of default or termination event, neither the counterparty nor the College shall designate an early termination unless the insurer has failed to pay under the terms of the insurance policy or the insurer otherwise so consents. Additional termination events are limited to the insurer's failure to meets its obligations under the insurance policy, or if the unenhanced, unsecured senior debt rating of either party falls below BBB– as rated by Standard & Poor's or below Baa3 as rated by Moody's. If at the time of termination the swap has a negative fair value, the College would be liable to the counterparty for a payment equal to the market value of the swap, including accrued interest.

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
2002D:		
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%

Fiscal year ending June 30	Variable-rate bonds Principal	Variable-rate bonds Interest	Interest rate swaps, net	Total
2008	$ —	4,863	742	5,605
2009	—	4,863	742	5,605
2010	—	4,863	742	5,605
2011	—	4,863	742	5,605
2012	—	4,863	742	5,605
2013–2017	—	24,316	3,710	28,026
2018–2022	—	24,316	3,710	28,026
2023–2027	23,050	23,920	3,650	50,620
2028–2032	67,375	15,747	2,403	85,525
2033–2036	48,125	3,428	523	52,076
Total	$ 138,550	116,042	17,706	272,298

On March 2, 2007, the College entered into a Constant Maturity Swap with a counterparty to enhance the Series 2002D interest rate swap agreement with the objective to increase the expected cash flows and effectively lower the overall cost of borrowing of the Series 2002D 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 is January 1, 2008. The swap had a negative fair value of $587 at June 30, 2007.

Under the Constant Maturity Swap, the College receives interest at a floating rate based on 61.02% of ten-year USD-ISDA-Swap rate (ten-year LIBOR swap rate) and pays the counterparty a floating rate based on 67% of the one-month USD-LIBOR-BBA index rate. The Constant Maturity Swap has a notional amount of $71.25 million representing half of the amounts related to the Series 2002D Bonds and Swap.

(10) Benefits Paid by the State of New Jersey

The State, through separate appropriations, principally pension costs and FICA taxes, pays certain fringe benefits on behalf of College employees. The costs of these benefits, $18,672 and $17,969 in 2007 and 2006, 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-saving, 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-saving, 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.

(Dollar amounts in thousands)

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 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, 2007 and 2006 were $973 and $957, 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, 2007 and 2006, ABP investment carriers received employer and employee contributions as follows:

	2007	2006
Employer contributions	$ 3,403	3,307
Employee contributions	4,997	4,713
Participating employees' salaries	42,539	41,338

(Dollar amounts in thousands)

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.

(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 $216 and $245 as of June 30, 2007 and 2006, 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 $2,332 and $2,013 as of June 30, 2007 and 2006, 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, 2007 and 2006 are designated to academic and student services, and capital program initiatives. Below is the detail of unrestricted net assets as of June 30, 2007 and 2006:

		2007	2006
Designated:			
Capital – academic and administrative buildings	$	8,285	6,360
Capital – auxiliary buildings		17,798	13,661
Operating reserve		4,604	3,669
Debt service reserve		19,079	17,919
Total unrestricted net assets	$	49,766	41,609

(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.

(15) Government Relations and Legal Fees

The New Jersey Higher Education Restructuring Act of 1994 requires the College to make available the costs incurred associated with government and public relations and legal costs. During the years ended June 30, 2007 and 2006, the College expended $374 and $361, respectively, for government and public relations, and $210 and $472, respectively, for legal fees.

(16) 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.

THE COLLEGE OF NEW JERSEY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2007

Federal grantor/pass-through grantor/ program or cluster title	**Federal CFDA/grant number**	**Current year expenditures**
Student Financial Assistance Cluster:		
U.S. Department of Health and Human Services:		
Nursing Student Loans	93.364	$ 12,000
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grants	84.007	189,839
Federal Family Education Loans	84.032	19,247,657
Federal Work-Study Program	84.033	201,571
Federal Perkins Loan Program (including administrative cost allowance of $45,298)	84.038	951,248
Federal Pell Grant Program	84.063	2,208,160
Academic Competitiveness Grant	84.375	5,050
National Science and Mathematics Access to Retain Talent Grant	84.376	72,000
Total Student Financial Assistance Cluster		22,887,525
Research and Development Cluster:		
U.S. Department of Education:		
Undergraduate International Studies and Foreign Language Programs	84.016	784
U.S. Department of Justice:		
Passed through Indiana University:		
National Institute of Justice	16.560	11,132
U.S. Department of Health and Human Services:		
Passed through New Jersey Department of Corrections:		
Promoting Responsible Fatherhood	93.086	725
National Fish and Wildlife Foundation:		
Lower Delaware Watershed	15.608	8,053
National Institute of Health:		
Roles BAF Like in the Nucleus	93.859	43,012
Passed through Wayne State University:		
Cognitions about Sexual Abuse	93.242	11,291
National Park Service:		
Lower Delaware Regions Watershed	15.921	3,666
National Science Foundation:		
Studies of Menthyl Farnesoate	47.074	13,702
Acquisition of Instrumentation Systems for Education and Research in Image Processing and Understanding	47.041	269
Synthesis of Thwaites Glacier	47.078	5,931
Passed through Rutgers, The State University of New Jersey:		
Education and Human Resources:		
Adapting ATLAST	47.076	32,372
Total Research and Development Cluster		130,937
U.S. Department of Agriculture:		
Escape from Disease	10.206	17,051
U.S. Department of Energy:		
To Establish a Genomic Analysis Facility at The College of New Jersey	81.049	190,767
U.S. Department of Housing and Urban Development:		
College Housing Debt Service	14.100	163,374
U.S. Department of Health and Human Services:		
Passed through Thomas Jefferson University/Division of Nursing:		
Perinatal Neonatal Education	93.247	9,957
Passed through New Jersey Department of Human Services:		
Passed through Rowan University:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	9,663

(Continued)

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA/grant number		Current year expenditures
U. S. Department of Justice:			
Grants To Reduce Violent Crimes Against Women on Campus	16.522	$	73,309
Passed through N.J. Division of Alcoholic Beverage Control:			
Lollanobooza	16.727		9,995
U.S. Department of Education:			
Bonner Center for Civic and Community Engagement	84.116		220,102
Special Education, Technical Assistance and Dissemination to Improve Services and Results For Children With Disabilities	84.326		228,401
Passed through New Jersey Department of Education:			
Sustainability Career Track Initiative	84.048		39,455
Teacher Quality Enhancement Recruitment	84.336		847,930
U.S. Department of Transportation:			
Passed through N.J. Division of Highway Traffic Safety:			
New Jersey Peer Institute	20.605		56,870
Federal Highway Administration:			
Passed through N.J. Department of Transportation:			
Land Use Municipal Resource Center	Q680TCSP008		211,560
U.S. Small Business Administration:			
Passed through N.J. Commerce, Economic Growth, and Tourism Commission:			
Passed through Rutgers, The State University of New Jersey:			
Small Business Development Center	59.037		193,102
Environmental Protection Agency:			
Wastewater Management	66.463		9,134
Corporation for National and Community Service:			
Bonner Leaders CNS	94.007		113,364
Passed through N.J. Department of State:			
AmeriCorps Bonner Leaders Program	94.006		212,279
Total Expenditures of Federal Awards		$	25,624,775

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)

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2007

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 Scholarship	100-074-2401-001-KKKK-6140	$ 461,782	07/01/06 - 06/30/07	$ 461,782
Educational Opportunity Fund Scholarship - Summer School	100-074-2401-001-KKKK-6140	200,303	07/01/06 - 06/30/07	200,303
Higher Education Student Assistance Authority:				
New Jersey CLASS Loans	—	7,322,871	07/01/06 - 06/30/07	7,322,871
Tuition Aid Grant	100-074-2405-007-KKKK-6150	4,370,907	07/01/06 - 06/30/07	4,370,907
Distinguished Scholarship Program	100-074-DS10-278-KKKK-6150	1,231,000	07/01/06 - 06/30/07	1,231,000
Urban Scholarship Program	100-074-US11-278-KKKK-6150	146,125	07/01/06 - 06/30/07	146,125
Outstanding Scholarship Recruiting Program	100-074-2405-293-KKKK-6150	3,058,633	07/01/06 - 06/30/07	3,058,633
Total Student Financial Assistance Cluster				16,791,621
Research and Development Cluster:				
New Jersey Department of Education:				
Online Mentoring-A Pilot Study	100-034-5063-294-H300-3890	85,000	09/01/05 - 12/31/06	23,249
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	17,705
Total Research and Development Cluster				40,954
New Jersey Department of Health and Senior Services:				
Passed through Rowan University:				
Rebel Rocs	—	3,200	07/01/06 - 06/30/07	3,198
New Jersey State Council on the Arts:				
Passed through Mercer County Cultural and Heritage Commission				
Gallery Grant	90590104822000	2,000	01/01/06 - 12/31/06	2,000
New Jersey Department of Education:				
Alternate Route Phase I and II	05-100-034-5063-294-H300-3610-2005	374,563	09/01/05 - 11/15/06	290,802
Early Learning Improvement Consortium	MOU	88,617	07/01/06 - 07/31/07	75,164
Improving Teacher Quality Partnership Grant/TALL	05-ER03-G03	229,133	09/01/05 - 08/31/06	55,704
Sign Language Teacher Preparation Lab	MOU	142,000	02/01/07 - 03/31/08	50,201
Teacher Quality Enhancement Grant	5063-100-034-5063-294-H300-3891	260,000	12/01/03 - 09/30/06	43,904
Vocational Student Organization	05-AG48-G06	118,150	07/01/05 - 09/30/06	6,174
Vocational Student Organization	06-AG54-G06	121,160	07/01/06 - 06/30/07	116,269
New Jersey Department of Community Affairs:				
Smart Future 2004	2004-99900-0219-03	50,000	06/01/04 - 12/15/07	4,261
Smart Future 2006	2006-99900-3616-00	20,000	01/01/06 - 01/31/08	849
New Jersey Commission on Higher Education:				
Adaptive Technology Center for New Jersey Colleges	06YR2-801180-0052	155,000	07/01/05 - 10/11/06	8,716
Adaptive Technology Center for New Jersey Colleges	07YR3-801180-0052	156,000	07/01/06 - 06/30/07	152,261
Collegebound Knowledge Bowl	06YR1-800930-0049	15,905	07/01/05 - 09/30/06	500
Collegebound Program	06YR5-800930-0028	304,080	07/01/05 - 10/25/06	4,690
Collegebound Program	07YR6-800930-0028	304,080	07/01/06 - 06/30/07	297,800

(Continued)

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

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2007

State of New Jersey grantor/pass-through grantor/ program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
New Jersey Commission on Higher Education, continued:				
Educational Opportunity Fund Program	100-074-2601-002-KKKK-6140	$ 1,005,418	06/01/06 - 07/31/07	$ 394,493
Governor's School for the Arts	100-074-2400-042-KKKK-6140	330,172	07/01/06 - 06/30/07	284,293
Governor's School	08GS-801070-0001	311,376	04/01/07 - 03/31/08	20,109
Statewide Conference	07YR1-801180-0055	9,500	07/01/06 - 06/30/07	9,500
New Jersey State Police Department:				
New Jersey State Police Forensic Science Internship Program	MOU	179,000	05/15/04 - 08/31/06	49,724
New Jersey Department of Transportation:				
NJ Smart Choices Initiative I	TCNJ2004 - Task Order 1	375,000	02/15/05 - 06/30/07	89,709
NJ Smart Choices Initiative II	TCNJ2004 - Task Order 3	99,938	04/01/06 - 12/30/07	95,315
NJ Smart Choices Initiative III	TCNJ2004 - Task Order 4	217,583	10/02/06 - 11/30/07	114,549
Exit 8A Interchange Area Transportation/Land Use Study	TCNJ2004 - Task Order 2	99,974	02/14/05 - 06/30/07	36,852
New Jersey Department of Treasury:				
Passed through Rutgers, The State University of New Jersey				
New Jersey Statewide Systemic Initiative: Regional Center	HE-06-03-00 / 4-26437	80,000	07/01/05 - 12/31/06	37,521
New Jersey Statewide Systemic Initiative: Standards Implementation	HE-07-03-00 / 4-21769	75,000	07/01/06 - 12/31/07	26,690
Efficacy Studies in State-Funded Preschool Programs	2005-002162	214,883	04/01/06 - 06/30/07	145,801
New Jersey Board of Public Utilities:				
Wireless Energy Pilot Program	20146000013, 2SECPxxx	60,000	03/08/05 - 09/30/06	14,940
New Jersey Department of Human Services New Jersey Commission for the Blind and Visually Impaired:				
Career and Community Summer Studies Program	MOU	28,336	02/02/06 - 07/09/06	26,192
Professional Services to Students with Deafblindness	MOU	28,933	02/02/06 - 12/31/06	18,726
Teacher of the Blind & Visually Impaired Preparation Program	MOU	206,927	07/01/06 - 06/30/07	183,945
Work Skills Preparation Program	MOU	27,800	01/01/07 - 08/30/07	19,365
Passed through Fair Lawn Board of Education:				
Training Pilot Program/SSP	20-607-200-300-000-00-33-05	18,279	10/31/05 - 10/31/06	324
New Jersey Department of State:				
State of New Jersey Appropriation	XX-100-074-24XX-XXX	35,016,000	07/01/06 - 06/30/07	35,016,000
New Jersey Educational Facilities Authority:				
Education Leasing Fund	—	3,108,000	start 11/22/02	287,127
Higher Education Capital Improvement Fund	—	25,515,000	start 11/21/02	1,089,061
Interdepartmental Accounts:				
State Fringe Benefits Other Than FICA	XX-100-094-9410-XXX	13,871,611	07/01/06 - 06/30/07	13,871,611
FICA - State Colleges and Universities Reimbursement Program	XX-100-094-9410-137	4,800,231	07/01/06 - 06/30/07	4,800,231
Total expenditures of State of New Jersey awards				$ 74,577,146

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

(1) Basis of Presentation

The accompanying schedules of expenditures of Federal and State of New Jersey awards include the Federal and State of New Jersey grant activity of The College of New Jersey (the College) and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the 2007 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, 2007 was $4,492,130 and $143,619, 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, 2007.

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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, 2007, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 11, 2007. 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.

KPMG

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

October 11, 2007

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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, 2007, 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, 2007 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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with Federal OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2.

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, 2007 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (07-1 and 07-2) to be significant deficiencies.

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 any of the deficiencies in the accompanying schedule of findings and questioned costs to be material weaknesses.

The College's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's 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

February 14, 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, 2007, 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, 2007.

(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, 2007.

(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, 2007. Two significant deficiencies (07-1 and 07-2) were reported in connection with major Federal programs and no significant deficiencies were reported in connection with major State of New Jersey programs of the College for the year ended June 30, 2007.

(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, 2007.

(f) There were two audit findings (07-1 and 07-2) which are required to be reported under Section 510(a) of Federal OMB Circular A-133 and no audit findings which are required to be reported under New Jersey OMB Circular 04-04 for the year ended June 30, 2007.

(g) The major Federal and State of New Jersey programs of the College for the year ended June 30, 2007 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 of New Jersey Appropriation
- Higher Education Capital Improvement Fund

(h) The dollar threshold used to distinguish between type A and type B programs was $300,000 for Federal awards and $967,148 for State of New Jersey awards for the year ended June 30, 2007.

(i) The College qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2007.

(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

07-1 – Student Status Changes
Student Financial Assistance Cluster:
U.S. Department of Education:
Federal Family Education Loans Program (CFDA #84.032)

Criteria

The Federal Family Education Loan program requires institutions to complete and return within 30 days of receipt, roster files sent by the National Student Loan Data System (NSLDS). Unless the institution expects to complete its next roster file within 60 days, the institution must notify NSLDS within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

Condition and Effect

For three of thirty students selected for testwork, the students’ change in status was not reported to NSLDS. For one of thirty students selected for testwork, the student’s change in status was reported fourteen days late to NSLDS.

A similar finding was noted in the 2006, 2005, 2004, 2003, and 2002 single audit reports as finding numbers 06-5, 05-4, 04-1, 03-2, and 02-1, respectively.

Questioned Costs

There are no known questioned costs related to this finding.

Cause

The College uses the National Student Clearinghouse (the Clearinghouse) as a third party vendor to process student enrollment verification information. In this relationship the Clearinghouse transmits College student enrollment, withdrawal, and graduation data directly to NSLDS. On an annual basis, the College establishes data transmission dates with the Clearinghouse that are in compliance with the 30 day notification requirement. In turn, the Clearinghouse establishes transmission dates with NSLDS to insure that colleges and universities are in compliance. The College has had a pervasive problem with the Clearinghouse over the last five years in synchronizing the College’s data feeds with the Clearinghouse data feeds to NSLDS. The timing of these feeds has resulted in noncompliance for reporting of some students’ status changes.

Recommendation

We recommend that the College implement procedures to ensure that all student status changes are reported to NSLDS within the required timeframe.

View of Responsible Official

The College has a choice of reporting directly to NSLDS or reporting to the Clearinghouse. The College has chosen to continue to report to the Clearinghouse to leverage the additional services provided including verification of student enrollment, degrees, and the use of their student tracker tool. The College's business processes have been changed to ensure NSLDS compliance going forward. The College has improved the way it prepares the enrollment file for the Clearinghouse and has coordinated with NSLDS to generate the Student Status Confirmation Report (SSCR) roster on a monthly basis to be in sync with monthly Clearinghouse enrollment reporting.

07-2 – Performance Reporting

U.S. Department of Education:

Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (CFDA #84.326)

Criteria

Recipients shall submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information on each of the following:

- A comparison of actual accomplishments with the goals and objectives established for the period.
- Reasons why established goals were not met, if appropriate.
- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Condition and Effect

The Federal grant funds reported on the Grant Performance Report cover sheet for the previous budget period were incorrectly reported in the prior year report and were not subsequently corrected on the current year report. Additionally, the reporting period for the current budget period per the grant report is through March 1, 2007 however there is a total of $18,880 of expenditures which occurred between March 2, 2007 and March 30, 2007 that were incorrectly included in this grant report.

A similar finding was noted in the 2006 single audit report as finding number 06-10.

(Continued)

Questioned Costs

There are no questioned costs associated with this finding as the College is not reimbursed based upon expenditure amounts reported in the grant performance report.

Cause

The report in question was not prepared by the Finance / Accounting area and thus was not reconciled properly against the general ledger expenditures for the proper time period.

Recommendation

We recommend that the College review all grant performance reports for accuracy before they are submitted to the U.S. Department of Education.

View of Responsible Official

The College has implemented procedures to ensure that all grant expenditure reports are prepared and/or reviewed by Finance / Accounting area prior to submission to the grantor. This will ensure that the expenditures are properly reported.

State of New Jersey Awards

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