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, 2009

(With Independent Auditors' Reports Thereon)

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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, 2009 with comparative information as of June 30, 2008 and 2007. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and Government Accounting Standards Board (GASB) principles. The preparation and completeness of the MD&A, financial statements, and note disclosures are the responsibility of the College's management.

The financial statements encompass the College and its discretely presented component unit (The College of New Jersey Foundation, Inc.); however, the MD&A focuses only on the College. Information relating to the component unit can be found in its separately issued financial statements.

College Overview

The College of New Jersey is a highly selective institution that has earned national recognition for its commitment to excellence. Founded in 1855, TCNJ has become an exemplar of the best in public higher education and is consistently acknowledged as one of the top comprehensive colleges in the nation. The College currently is ranked as one of the 75 "Most Competitive" schools in the nation by *Barron's Profiles of American Colleges* and is rated the No. 1 public institution in the northern region of the country by *U.S. News & World Report*. TCNJ was awarded, in 2006, a Phi Beta Kappa chapter, an honor shared by less than 10% of colleges and universities nationally.

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

In the fall of 2008, TCNJ enrolled 6,106 full-time equivalent undergraduate students and 352 in full-time graduate students. The College has residential facilities that housed more than half of the students on campus.

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

Governance

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

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

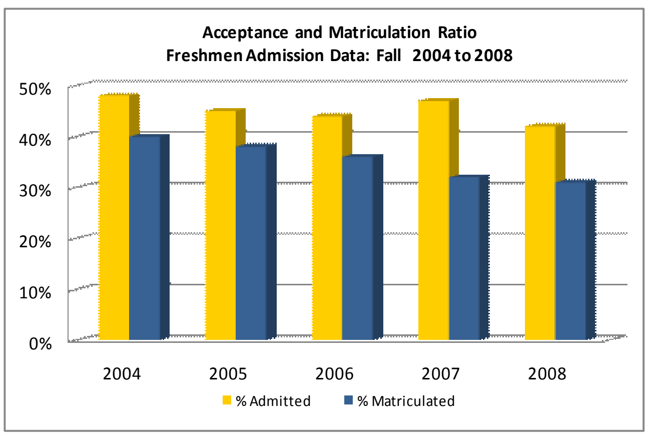
Academic Profile

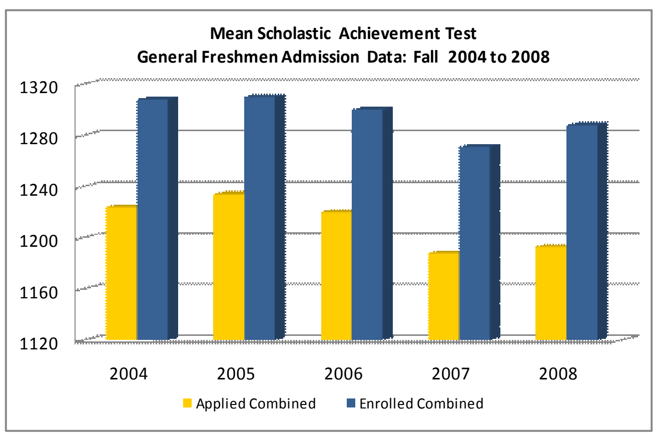
Faculty

In fall 2008, the College's overall full-time equivalent (FTE) faculty count was 496. Approximately 72% of the total faculty FTE was full-time (357) and the remaining 28% (139) included permanent part-time faculty, adjunct, and teaching professional staff. Faculty FTE is equated at 24 faculty weighted hours per year. During this same period, the total enrollment FTE was 6,458 and the student-to-faculty ratio was 13:1. Seventy percent of the full-time faculty is tenured and 87% have a doctorate or other terminal degree. The College does not employ graduate teaching assistants and that increases faculty involvement in the curriculum and enriches student learning.

Student

The College enjoys a healthy student demand as reflected in the acceptance and matriculation ratio graphs. The fall 2008 full-time freshmen class enrolled 1295 students yielding a 31% matriculation ratio based upon a 42% acceptance ratio for 9,692 applicants. The mean Scholastic Aptitude Test (SAT) for the general admitted group was a combined 1,288. Currently, 95% of the freshmen class and 60% of all undergraduate students live on campus. Fall 2008 also brought 262 new transfer students into the College. The transfer matriculation rate was 60% and this was based on a 49% transfer acceptance ratio of 901 applicants.





The 2008–2009 academic year concluded with the awarding of 1487 bachelor's degrees, 371 master's degrees, and 143 pre-/post-master's certifications.

Using the Financial Statements

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

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

Some significant aspects of the financial statements are as follows:

- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the College's revenues, including state appropriations and investment income, are considered nonoperating, as defined by GASB Statement No. 35. The net nonoperating revenue totaled $47.9 million and $48.9 million for the years ended June 30, 2009 and 2008, 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, 2009 and 2008, scholarship allowance totaled $23.8 million and $23.0 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $15.6 million and $14.4 million for the years ended June 30, 2009 and 2008, respectively.
- Unrestricted net assets comprise various subcategories of designated and committed funds; however, GASB Statement No. 35 prohibits a breakdown of these designations on the face of the statement of net assets. The College has many activities that require a certain level of reserves to be maintained. Examples include working capital reserves for auxiliary operations, educational and general activities, funding for debt service and capital reserves for planned construction efforts.
- The State of New Jersey implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2008. The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers the employees of the College. The employees of the College are employees of the State of New Jersey, therefore the other postemployment benefit plans liability was reported by the State of New Jersey.

Statement of Net Assets

The statement of net assets is a point of time financial statement that presents the College's financial position at the end of fiscal years 2009 and 2008. Assets, excluding capital assets, are generally carried at estimated fair market value, net realizable value, or amortized cost. Capital assets are carried at cost and are depreciated over their respective useful life. Assets are categorized as current and noncurrent. Current assets are those considered to be convertible to cash within one year. Current assets of the College consist primarily of cash, short-term investments, deposits held with bond trustees plus student and other accounts receivable.

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

Net assets are the residual interest in the College's assets after the liabilities are deducted. Net assets are classified into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant, and equipment. The second net asset category is expendable restricted net assets. These net assets are available to the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on their usage. Finally, unrestricted net assets include amounts institutionally designated or committed to support specific academic and research programs and capital construction projects. A summary of the College's assets, liabilities, and net assets at June 30, 2009, 2008, and 2007 is as follows:

Assets, Liabilities and Net Assets
(Amounts in thousands)

		2009	2008	2007
Assets:				
Current assets	$	110,559	97,301	84,612
Noncurrent assets		594,980	596,775	577,145
Total assets		705,539	694,076	661,757
Liabilities:				
Current liabilities		34,673	31,131	28,520
Noncurrent liabilities		346,228	351,979	338,002
Total liabilities		380,901	383,110	366,522
Net assets:				
Invested in capital assets, net of related debt		254,588	249,506	244,220
Restricted for:				
Student loans		363	573	555
Debt service		—	—	444
Renewal and replacement		—	—	250
Unrestricted		69,687	60,887	49,766
Total net assets	$	324,638	310,966	295,235

Statement of Net Assets Financial Highlights

Assets

During fiscal years 2009 and 2008, the College's total assets increased by $11.5 million or 1.7% and $32.3 million or 4.9%, respectively.

Cash and Cash Equivalents

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

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

Deposits Held With Bond Trustees

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

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

Deferred Financing Costs

During fiscal year 2009, deferred financing costs decreased by $2.2 million due to current year amortization. These deferred costs are being amortized over the remaining life of the bonds.

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

Capital Assets

During fiscal years 2009 and 2008, capital assets had net increases of $41.7 million and $8.7 million respectively, primarily due to construction projects that were mainly funded by various bond issues. The increases were offset by increases in accumulated depreciation.

Liabilities

Current Liabilities

In fiscal years 2009 and 2008, the College's current liabilities increased by $3.5 million, or 11.4%, and $2.6 million, or 9.2%, respectively. In both fiscal years, the increases can be attributed to the receipt of invoices for construction projects plus goods and services that were accrued for at the end of each year.

Noncurrent Liabilities

Noncurrent liabilities decreased by $5.8 million, or 1.6%, in fiscal year 2009 primarily due to the repayment of outstanding principal on various bond issues. Noncurrent liabilities increased by $14.0 million, or 4.1%, in fiscal year 2008. The increase was primarily due to $17 million in additional principal and premium as part of the Series 2008 D refunding bonds which was offset by the current year repayment of principal on various bond issues.

Net Assets

The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year. The improvement in the College's overall financial position is reflected in the continuing increases in total net assets.

During fiscal years 2009 and 2008, net assets increased by $13.7 million, or 4.4%, and $15.7 million, or 5.3%, respectively. In both fiscal years, the increases were directly related to the College's continued investment in capital assets coupled with positive operating surpluses.

Current Ratio

The current ratio is a key financial metric used to measure the College's liquidity for operations. It measures the institution's ability to satisfy its current obligations as they come due. In fiscal years 2009 and 2008, the College's current ratios were 3.2:1 and 3.1:1, respectively. This was a clear indication that the College had more than adequate liquidity to satisfy its current obligations.

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the revenues earned and the expenses incurred during the year, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. Generally, 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, 2009, 2008, and 2007 is as follows:

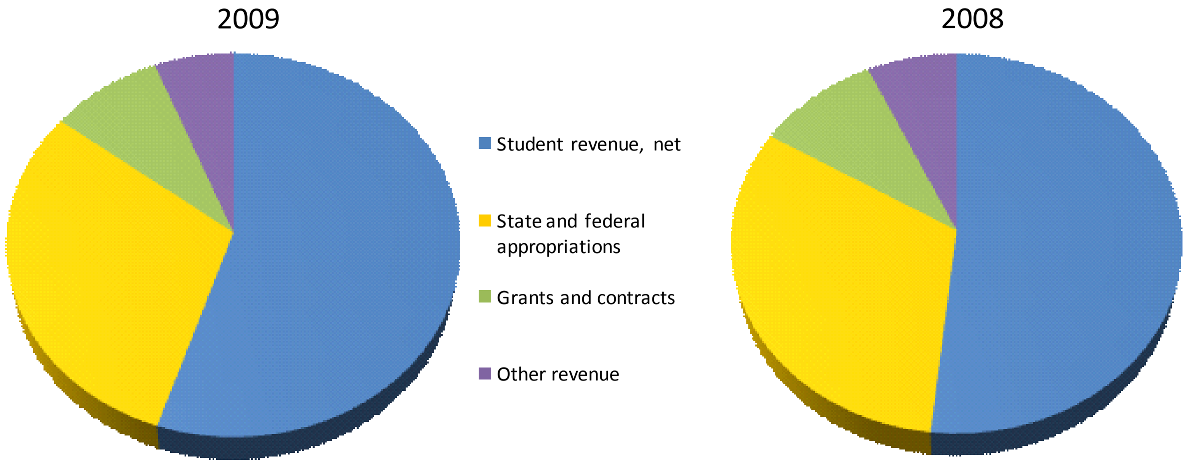
Revenues, Expenses and Changes in Net Assets
(Amounts in thousands)

		2009	2008	2007
Net student revenues	$	103,349	93,020	84,320
Government grants and contracts		16,102	17,058	18,001
Auxiliary activities		4,543	4,503	4,798
Other		3,762	2,688	2,317
Operating revenues		127,756	117,269	109,436
Instruction and research		58,405	54,451	50,563
Auxiliary activities		26,543	25,165	24,304
Institutional support		10,375	12,198	11,116
Operation and maintenance of plant		21,446	15,893	15,889
Student services		12,144	11,555	10,635
Academic support		12,459	11,266	11,491
Depreciation		15,588	14,367	11,583
Other		5,062	5,501	5,438
Operating expenses		162,022	150,396	141,019
Operating loss		(34,266)	(33,127)	(31,583)
NJ State and government appropriations		56,777	57,366	53,851
Other expenses, net		(8,839)	(8,508)	(9,652)
Net nonoperating revenues		47,938	48,858	44,199
Increase in net assets		13,672	15,731	12,616
Net assets, beginning of year		310,966	295,235	282,619
Net assets, end of year	$	324,638	310,966	295,235

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

Revenues

The following is an illustration of revenues by source (both operating and nonoperating), that were used to fund the College's activities for the years ended June 30, 2009 and 2008 (amounts in thousands):



	2009		2008	
	Amount	Percent	Amount	Percent
	(Amounts in thousands)			
Student revenue, net	$ 103,349	55.1%	$ 93,020	51.7%
State and federal appropriations	56,777	30.3%	57,366	31.9%
Grants and contracts	16,102	8.6%	17,058	9.5%
Other revenue	11,267	6.0%	12,384	6.9%
	$ 187,495	100.0%	$ 179,828	100.0%

Operating Revenues

Net Student Revenues

Net student revenues, which included tuition, housing, and fees revenues (less scholarship allowance), are the most significant source of operating revenue for the College, accounting for 80.9% and 79.3% of total operating revenue in fiscal years 2009 and 2008, respectively.

Tuition and Fees

Tuition and fees revenues increased $9.1 million, or 11.1%, and $6.9 million, or 9.2%, in fiscal years 2009 and 2008, respectively. These increases were attributed to the general tuition increases of 8.0% and 6.0% in fiscal years 2009 and 2008, respectively, coupled with a modest increase in undergraduate student enrollment.

Student Housing and Fees

Student housing and fees revenues increased $2.1 million, or 6.1%, and $0.8 million, or 2.3%, in fiscal years 2009 and 2008, respectively. The fiscal year 2009 increase can be attributed to the room and board increase of approximately 4.0% coupled with an increased demand for student housing and more students selecting higher carte blanche meal plans.

The fiscal year 2008, increase can be attributed to the room and board increase of approximately 4.0% offset by a reduction in room revenues from the Country Club Apartments because the College did not utilize this facility in fiscal year 2008 for student housing.

Scholarship Allowance

In fiscal year 2009, scholarship allowance had a net increase of $0.8 million, or 3.7%, primarily due to increases in the College funded scholarships, State funded Tuition Aid Grant (TAG) and Federal Pell Grants. This increase was offset by the elimination of State funding for the Outstanding Scholars Recruitment Program (OSRP).

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

Scholarship Allowance
(Amounts in thousands)

		2009	2008	2007
State scholarships	$	8,066	9,103	9,469
Federal scholarships		3,541	3,131	2,740
College scholarships		12,212	10,746	11,805
Total scholarships	$	23,819	22,980	24,014

Auxiliary Activities

Auxiliary activities, which are self-funding activities, accounted for approximately 3.6% and 3.8% of the total operating revenues in fiscal years 2009 and 2008, respectively. Included in auxiliary activities are revenues derived primarily from commissions, conference and meeting services, and summer camp activities.

Government Grants and Contracts

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

In fiscal year 2008, Government grants and contracts revenue decreased by $943 thousand, or 5.2%, primarily due to a reduction in state grant revenues. The decrease in the state grant revenues was primarily due to various state funded grants coming to a close during fiscal year 2008, coupled with reduced funding for OSRP and Distinguished Scholarships grants. This decrease was offset by increase funding for New Jersey Stars II and TAG plus revenues generated by some new state grants such as Early Education / Child Care and the Career and Technical Student Organization grant. The increase in the federal grant revenues was generated primarily by the Federal Pell Grants.

Nonoperating Revenues

New Jersey State Appropriations

New Jersey state appropriations represented 30.3% and 31.9% of the total College revenues in fiscal years 2009 and 2008, 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 2009, the gross state support to the College had a net decrease of $0.5 million, or 0.9%, due to a 7.6% reduction in the base appropriation which was offset by an increase in fringe benefits funded by the State.

In fiscal year 2008, the gross state support to the College increased by $3.6 million, or 6.7%, due to the partial funding of the state negotiated salary program, an increase to the base appropriation plus increases in fringe benefits funded by the State.

The breakdown of the state appropriations at June 30, 2009, 2008, and 2007 is as follows:

State Appropriations
(Amounts in thousands)

		2009	2008	2007
State appropriations	$	34,215	37,040	35,016
Fringe benefits		22,562	20,255	18,672
Gross state support	$	56,777	57,295	53,688

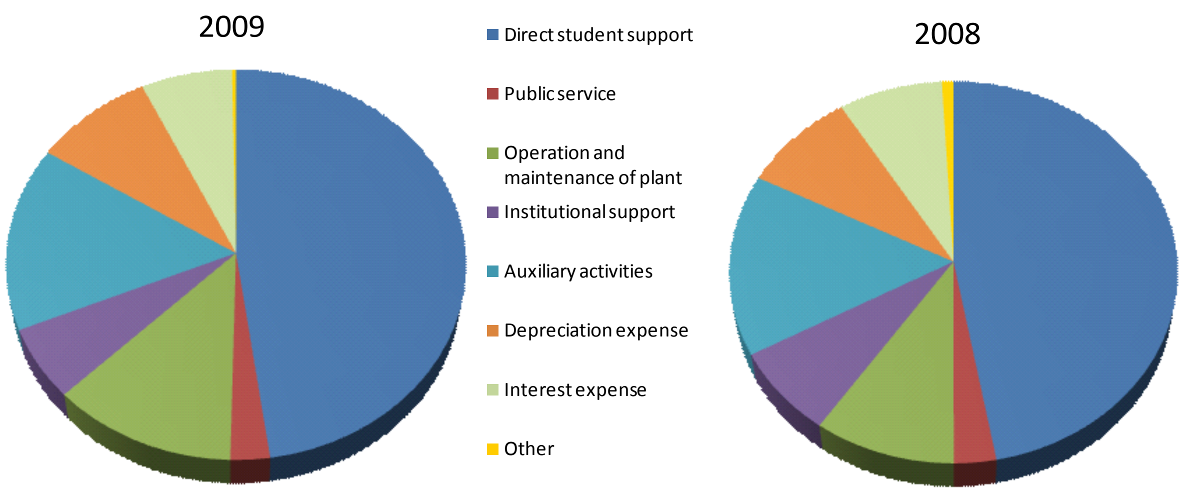
Investment Income

The tumultuous performance of the financial markets during fiscal year 2009 which resulted in dramatic interest rates reductions by the Federal Reserve significantly impacted College's investment returns. In fiscal year 2009, investment income decreased by $3.6 million from the previous year.

Investment income had a modest decrease of $188 thousand during fiscal year 2008. This decrease can be attributed to the reduction in short term interest rates offset by the College maintaining a high average cash balance throughout the year.

Expenses

The following is an illustration of expenses by function (both operating and nonoperating) for the fiscal years ended June 30, 2009 and 2008 (amounts in thousands):



	2009			2008		
		Amount	Percent		Amount	Percent
	(Amounts in thousands)					
Instruction and research	$	58,405	33.6%	$	54,451	33.2%
Academic support		12,459	7.2%		11,266	6.9%
Student services		12,144	7.0%		11,555	7.0%
Direct student support	$	83,008	47.8%	$	77,272	47.1%
Public service	$	4,551	2.5%	$	4,751	2.9%
Operation and maintenance of plant		21,446	12.3%		15,893	9.7%
Institutional support		10,375	6.0%		12,198	7.4%
Auxiliary activities		26,543	15.3%		25,165	15.3%
Depreciation expense		15,588	9.0%		14,367	8.8%
Interest expense		11,801	6.8%		13,011	7.9%
Other		511	0.3%		1,440	0.9%
	$	173,823	100.0%	$	164,097	100.0%

Operating Expenses

In fiscal years 2009 and 2008, total operating expenses were $162 million and $150.4 million, respectively, representing an overall increase of 7.7%. In most functional categories, the increases resulted from contractual salary and related fringe benefit increases collectively bargained at the State level.

Instruction and Research

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

In fiscal year 2008, instructional expenses had a significant increase, while research activities remained relatively stable with the same level of investment as the prior year. The increase in instruction was mainly due to the filling of some vacant faculty positions coupled with contractual salary and related fringe benefit increases.

Academic Support

In fiscal year 2009, academic support increased by 10.6% due to salary and related fringe benefit increases, library acquisitions plus additional expenditures from academic self-funded enterprise programs. In fiscal year 2008, academic support remained relatively stable due to contractual salary and related fringe benefit increases that were offset by some major position vacancies.

Public Service

Public service expenses remained relatively stable with the same level of investment in fiscal years 2009 and 2008.

Student Services

In fiscal year 2009, the student services increase was primarily due to contractual salary and related fringe benefit increases coupled with additional investment for the second phase of the student life transformation that will be integrated with the academic transformation. In fiscal year 2008, the student services increase was primarily due to contractual salary and related fringe benefit increases coupled with additional investment for the first phase of the student life transformation that will be integrated with the academic transformation.

Operation and Maintenance of Plant

The operation and maintenance of plant increase during fiscal year 2009 was primarily due to contractual salary and related fringe benefits increases, investment in campus safety and security plus additional costs for fuel and utilities. Operation and maintenance of plant remained relatively stable during fiscal year 2008. Increases in fiscal year 2008 due to salary and related fringe benefits plus fuel and utilities were offset by savings generated from the College's energy conservation program.

Institutional Support

In fiscal year 2009, the institutional support decrease was primarily due to a major non-recurring expenditure from the previous year to upgrade campus-wide information technology network plus the continued savings measures being employed in the administrative areas. This decrease was offset by increases in salary and related fringe benefits. In fiscal year 2008, the institutional support increase was primarily due to increases in contractual salary and fringe benefits plus a one-time major expenditure for upgrading the campus-wide information technology network coupled with additional investments in the area of Compliance and Accountability.

Auxiliary Activities

Auxiliary expenses increased by $1.4 million and $0.9 million, or 5.5% and 3.5%, in fiscal years 2009 and 2008, respectively. In both years, the increases were due to contractual salary and related fringe benefits, increased fuel and utilities costs plus higher meal plan rates.

Depreciation Expense

Depreciation expense increased by $1.2 million, or 8.5%, in fiscal year 2009, due to completed buildings and improvements being transferred out of construction in progress to investment in plant and thus being depreciated.

Nonoperating Expenses

Interest Expense

Interest expense is traditionally offset by the amount of interest capitalized during the construction phase of major projects. The decrease in fiscal year 2009 was due to the net amortization of bonds premium and discount. In fiscal year 2008, the troubled auction rate securities market had a widespread impact on the market for short-term tax-exempt obligations, which adversely affected the College's borrowing costs with respect to the Series 1999 A Bonds and the Series 2002 D Bonds. This resulted in additional interest expense on these variable rate and auction rate bonds.

Other Revenues (Expenses), Net

In fiscal year 2009, other nonoperating revenues had a net increase of $1.3 million. This was mainly due to the receipt of capital funding for facilities renovation offset by the amortization of bond issue costs plus other non-capital expenditures. In fiscal year 2008, other nonoperating expenses decreased $3.4 million, or 88.4%, because in the previous fiscal year, $2.5 million of previously capitalized expenditures relating to the infrastructure of an impaired asset was written off.

Operating Margin

According to GASB Statement No. 35 significant resources of the College are categorized as nonoperating revenues. In fiscal years 2009 and 2008, operating losses were $34.3 million and $33.1 million, respectively, however, nonoperating revenues offset these operating losses. A measure of the College's operating performance is the operating margin ratio, which considers government appropriations and investment income as operating revenues and interest expense as an operating expense. Over the years, budgetary practices have led to positive operating margins. According to bond rating agencies, the College annual operating margin of 6.6% and 9.1% for fiscal years 2009 and 2008, respectively are very strong for a public institution.

Capital Assets

At June 30, 2009, the College had $520.2 million invested in capital assets, net of accumulated depreciation of $143.8 million. Depreciation charges totaled $15.6 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, 2009, 2008, and 2007:

Capital Additions
(Amounts in thousands)

		2009	2008	2007
Additions (transfers):				
Buildings and building improvements	$	2,688	7,555	137,280
Infrastructure		243	10,058	16,891
Equipment and other assets		7,707	3,333	7,715
Construction in progress		46,641	2,104	(147,102)
Net total additions	$	57,279	23,050	14,784

Long-Term Debt

At June 30, 2009, the College had $346.6 million in outstanding bonds and other long-term obligations, compared to $351.7 million at June 30, 2008. No new debt was issued during fiscal year 2009. During fiscal year 2008, the College refunded Series 1999 A and 2002 D Bonds and issued Series 2008 D Bonds. The refunding resulted in a net increase of $5.4 million in outstanding principal and a debt portfolio of 100% fixed rate bonds. Additional information about the College's existing long-term liabilities is presented in note 9 to the financial statements.

Economic Factors that Will Affect the Future

The College of New Jersey has a long tradition of effective planning, resource allocation and assessment that has allowed it to continue to improve the quality of its education, strengthening its financial position through positive operating results and respond to future challenges and opportunities. For the fiscal years ending June 30, 2009 and 2008, the College finished with $13.7 million and $15.7 million, or 4.4% and 5.3%, 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.

Cognizant of the many demands on the State's limited resources, the College has identified other issues of College-wide importance that will directly impact its future financial condition. These issues include the increasing demand for institutional scholarships, increasing the investment in academic program excellence, expanding fund-raising activities, investing in capital assets, diversifying revenue, and reviewing the organizational structure to affect financial efficiencies and preserve organizational effectiveness.

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

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

Our plan is based on 9 years of mission-based planning, the intensive transformation of our academic enterprise, and the developing transformation of the student affairs enterprise. We are now on the cusp of the important integration of these two transformations to assure that TCNJ continues to meet its mission to prepare the leaders of tomorrow.

The initiatives of the five year plan include:

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

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

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

Independent Auditors' Report

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

The Board of Trustees
The College of New Jersey:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the years ended June 30, 2009 and 2008, 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, 2009 and 2008, 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 28, 2009 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 1 through 16 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The College has presented certain information in management's discussion and analysis that is not required by U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of Federal and State of New Jersey awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 basic financial statements taken as a whole.

KPMG LLP

October 28, 2009

STATEMENT OF NET ASSETS

June 30, 2009

(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	$ 86,712	1,673	88,385
Receivables:			
Student accounts, net of allowance of doubtful accounts of $323	1,104	—	1,104
Student loans	749	—	749
Grants	960	—	960
Due from State of New Jersey (note 5)	1,323	—	1,323
Due from TCNJ Foundation (due to College)	8	(8)	—
Other	1,334	48	1,382
Total receivables	5,478	40	5,518
Investments (notes 4 and 17)	4,249	1,537	5,786
Deposits held with bond trustees (note 7)	11,541	—	11,541
Prepaid expenses and other assets	2,579	—	2,579
Total current assets	110,559	3,250	113,809
Noncurrent assets:			
Student loans receivable, net of allowance of doubtful loans of $447	3,410	—	3,410
Deposits held with bond trustees (note 7)	31,746	—	31,746
Other assets	—	89	89
Investments (notes 4 and 17)	—	14,553	14,553
Deferred financing costs, net of accumulated amortization of $5,242 (note 9)	39,656	—	39,656
Capital assets, net (note 6)	520,168	—	520,168
Total noncurrent assets	594,980	14,642	609,622
Total assets	705,539	17,892	723,431
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses (note 8)	25,448	363	25,811
Compensated absences – current portion (note 12)	2,540	—	2,540
Deferred revenue and student deposits	1,693	—	1,693
Bonds payable – current portion, including net premium of $641 (note 9)	4,486	—	4,486
Other long-term obligations – current portion (note 9)	506	—	506
Total current liabilities	34,673	363	35,036
Noncurrent liabilities (note 9):			
Compensated absences – noncurrent (note 12)	246	—	246
U.S. and Government grants refundable	4,404	—	4,404
Bonds payable – noncurrent, including net premium of $10,243 (note 9)	333,153	—	333,153
Other long-term obligations (note 9)	8,425	3,022	11,447
Total noncurrent liabilities	346,228	3,022	349,250
Total liabilities	380,901	3,385	384,286
Net Assets			
Invested in capital assets, net of related debt	254,588	—	254,588
Restricted:			
Nonexpendable:			
Scholarships	—	6,138	6,138
Expendable:			
Scholarships	—	3,452	3,452
Research	—	142	142
Other	—	1,977	1,977
Student loans	363	—	363
Unrestricted (note 13)	69,687	2,798	72,485
Total net assets	$ 324,638	14,507	339,145

See accompanying notes to financial statements.

STATEMENT OF NET ASSETS

June 30, 2008

(Amounts in thousands)

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

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2009

(Amounts in thousands)

		Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Total
Operating revenues:				
Student revenues:				
Student tuition and fees	$	91,400	—	91,400
Less tuition scholarship allowances		(18,555)	—	(18,555)
Net student tuition and fees		72,845	—	72,845
Student housing and fees		35,768	—	35,768
Less housing scholarship allowances		(5,264)	—	(5,264)
Net student housing and fees		30,504	—	30,504
Federal grants and contracts		6,286	—	6,286
State of New Jersey grants and contracts		9,816	—	9,816
Auxiliary activities		4,543	—	4,543
Contributions		—	2,590	2,590
Interest on student loans receivable		85	—	85
Other operating revenues		3,677	—	3,677
Total operating revenues		127,756	2,590	130,346
Operating expenses:				
Instruction		50,492	—	50,492
Research		7,913	—	7,913
Academic support		12,459	—	12,459
Public service		4,551	—	4,551
Student services		12,144	—	12,144
Operation and maintenance of plant		21,446	—	21,446
Institutional support		10,375	—	10,375
Scholarships and fellowships		511	650	1,161
Auxiliary activities		26,543	—	26,543
Fund-raising		—	246	246
Depreciation		15,588	—	15,588
Total operating expenses		162,022	896	162,918
Operating (loss) income		(34,266)	1,694	(32,572)
Nonoperating revenues (expenses):				
State of New Jersey appropriations		34,215	—	34,215
State of New Jersey fringe benefits		22,562	—	22,562
Investment income (loss)		1,624	(1,312)	312
Interest expense		(11,801)	—	(11,801)
Transactions with affiliates (note 3)		527	(1,563)	(1,036)
Other revenues (expenses), net		811	(328)	483
Net nonoperating revenues (expenses)		47,938	(3,203)	44,735
Income before other revenues		13,672	(1,509)	12,163
Additions to permanent endowments		—	1,077	1,077
Increase in net assets		13,672	(432)	13,240
Net assets as of beginning of year		310,966	14,939	325,905
Net assets as of end of year	$	324,638	14,507	339,145

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year ended June 30, 2008

(Amounts in thousands)

	Business-Type Activities The College of New Jersey	Component Unit The College of New Jersey Foundation, Inc.	Total
Operating revenues:			
Student revenues:			
Student tuition and fees	$ 82,291	—	82,291
Less tuition scholarship allowances	(17,877)	—	(17,877)
Net student tuition and fees	64,414	—	64,414
Student housing and fees	33,709	—	33,709
Less housing scholarship allowances	(5,103)	—	(5,103)
Net student housing and fees	28,606	—	28,606
Federal grants and contracts	5,884	—	5,884
State of New Jersey grants and contracts	11,174	—	11,174
Auxiliary activities	4,503	—	4,503
Contributions	—	2,922	2,922
Interest on student loans receivable	81	—	81
Other operating revenues	2,607	—	2,607
Total operating revenues	117,269	2,922	120,191
Operating expenses:			
Instruction	47,169	—	47,169
Research	7,282	—	7,282
Academic support	11,266	—	11,266
Public service	4,751	—	4,751
Student services	11,555	—	11,555
Operation and maintenance of plant	15,893	—	15,893
Institutional support	12,198	—	12,198
Scholarships and fellowships	750	565	1,315
Auxiliary activities	25,165	—	25,165
Fund-raising	—	209	209
Depreciation	14,367	—	14,367
Total operating expenses	150,396	774	151,170
Operating (loss) income	(33,127)	2,148	(30,979)
Nonoperating revenues (expenses):			
State of New Jersey appropriations	37,040	—	37,040
State of New Jersey fringe benefits	20,255	—	20,255
Government appropriations	71	—	71
Investment income (loss)	5,193	(861)	4,332
Interest expense	(13,011)	—	(13,011)
Transactions with affiliates (note 3)	(208)	(593)	(801)
Other revenues (expenses), net	(482)	(248)	(730)
Net nonoperating revenues (expenses)	48,858	(1,702)	47,156
Income before other revenues	15,731	446	16,177
Additions to permanent endowments	—	1,629	1,629
Increase in net assets	15,731	2,075	17,806
Net assets as of beginning of year	295,235	12,864	308,099
Net assets as of end of year	$ 310,966	14,939	325,905

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOW

(Business-Type Activities – College only)

Years ended June 30, 2009 and 2008

(Amounts in thousands)

		2009	2008
Cash flows from operating activities:			
Student tuition and fees	$	69,767	64,427
Federal, State, and local grants and contracts		16,133	17,053
Payments to suppliers		(13,164)	(17,317)
Payments to employees		(81,179)	(76,205)
Payments for benefits		(1,210)	(1,368)
Student housing and auxiliary activities		13,707	12,999
Other receipts, net		3,762	2,688
Net cash provided by operating activities		7,816	2,277
Cash flows from noncapital financing activities:			
New Jersey State appropriations		34,215	37,040
Other receipts, net		414	(1,114)
Net cash provided by noncapital financing activities		34,629	35,926
Cash flows from capital and related financing activities:			
Purchase of capital assets		(54,107)	(18,439)
Withdrawals from deposits held with bond trustees		41,770	26,206
Bond issuance costs		—	(37,356)
Defeasement of debt		—	(281,766)
Bond proceeds		—	300,158
Principal payments on bonds and other obligations		(3,898)	(3,863)
Interest payments on bonds and other obligations		(16,895)	(17,111)
Net cash used by capital and related financing activities		(33,130)	(32,171)
Cash flows from investing activities:			
Interest on investments		1,190	2,954
Purchases of investments		(11,000)	(23,000)
Maturities of investments		38,395	5,000
Net cash provided by (used by) investing activities		28,585	(15,046)
Net change in cash and cash equivalents		37,900	(9,014)
Cash and cash equivalents as of beginning of year		48,812	57,826
Cash and cash equivalents as of end of year	$	86,712	48,812
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(34,266)	(33,127)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		15,588	14,367
State of New Jersey fringe benefits		22,562	20,255
Changes in assets and liabilities:			
Receivables, net		1,006	919
Prepaid expenses		395	(199)
Accounts payable and accrued expenses		4,567	(895)
Accrued salaries		1,341	825
Other accrued expenses		(19)	(32)
Deferred revenue and student deposits		(3,358)	164
Net cash provided by operating activities	$	7,816	2,277

See accompanying notes to financial statements.

(1) Organization

The College of New Jersey (the College) is a mid-sized, comprehensive public college that concentrates primarily on the undergraduate experience. Baccalaureate and master's degrees are offered through the academic programs of the College's seven schools (Arts and Communication; Business; Education; Culture and Society; Science; Nursing, Health, and Exercise Science; and Engineering). In the fall of 2008, the College enrolled 6,106 full-time equated undergraduate students and 352 full-time equated graduate students. The College has residential facilities that house more than half of the students on campus and another third of the student population in housing nearby.

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

  Nonexpendable: Net assets 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, commercial paper and certificates of deposit. 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 2009 and 2008 reflect a net decrease in fair value of investments of ($70) and ($117), 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)

Notes to the Financial Statements (dollar amounts in thousands)

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

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

Estimated obligations to complete construction in progress as of June 30, 2009 are approximately $36,996. Such construction is principally financed by proceeds from long term debt.

(g) Deferred Revenue

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

(h) Student Activity Fees

It is the policy of the College to collect the student activity fees for the Student Finance Board. Revenues and related remittance of these fees to the Student Finance Board of $1,214 and $849 in fiscal years 2009 and 2008, respectively, have not been included in the accompanying financial statements.

(i) Tuition and Fees

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

(j) Operating Activities

The College's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net assets are those that serve the College's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include: student tuition and fees, net of scholarship allowances, and most Federal, State and private grants and contracts. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, as defined by GASB Statement No. 34, including state appropriations, gifts, and investment income.

(k) Student Housing and Fees

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

(l) Income Taxes

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

(m) Use of Estimates

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

(n) Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

(3) Transactions with Affiliates

(a) The College of New Jersey Foundation

The College of New Jersey Foundation, Inc. (the Foundation) has approved payments to the College for support of scholarships, restricted funds, and donated capital assets of $1,396 and $593 during fiscal years 2009 and 2008, respectively. As of June 30, 2009 and 2008, a net receivable of $8 and $12, respectively, was due from the Foundation. Additional information about the Foundation is presented in note 17 to the financial statements.

(b) Trenton State College Corporation

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

During 2009 and 2008, the College incurred $314 and $265, 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, 2009 and 2008, there were outstanding payables due to the Corporation relating to these expenses of $9 and $45, 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 $299 and $265 for June 30, 2009 and 2008, respectively, of which $9 and $26 were due to the College as of June 30, 2009 and 2008, respectively.

Notes to the Financial Statements (dollar amounts in thousands)

The Corporation had purchased some Transfer Housing facilities in order to provide additional housing for the College's students. Prior to fiscal year 2008, the Corporation paid for the maintenance of these properties, and the College in return transfers all room revenues earned and damages collected for these properties to the Corporation. During fiscal years 2009 and 2008, the College reimbursed the Corporation for expenses incurred while maintaining the Transfer Housing facilities plus a management fee. The expenses reimbursed to the Corporation for Transfer Housing during fiscal years 2009 and 2008 were $243 and $209, respectively.

(4) Cash, Cash Equivalents, and Investments

Cash and cash equivalents were $86,712 and $48,812 as of June 30, 2009 and 2008, respectively, which included $79,162 and $44,489, respectively, held in the State of New Jersey Cash Management fund and $7,550 and $4,323, respectively, held in various accounts at Wachovia Bank. Of the amounts held at Wachovia Bank, $100 was insured by the Federal Deposit Insurance Corporation (FDIC) and the excess of FDIC coverage are collateralized pursuant to New Jersey Statute 52:18-16-1.

The College 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, 2009 and 2008 are as follows:

Investments

		2009	2008
Money market fund	$	4,105	10,120
Commercial paper		—	9,620
Certificate of deposit		—	3,539
Commonfund – Short-term fund		26	4,922
Commonfund – Intermediate-term fund		118	3,527
Total	$	4,249	31,728

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). At June 30, 2008, the College's investments in commercial paper were rated A1/P1.

Notes to the Financial Statements (dollar amounts in thousands)

The Commonfund is a mutual fund. As of June 30, 2009 and 2008, the credit quality of the investments that comprise the Commonfund intermediate and short-term funds are as follows:

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

Commonfund Credit Quality 2008		
	Intermediate	Short-term
AAA	79%	41%
AA	8	12
A	10	8
A1+/P1 or A1/P1	—	39
Other	3	—

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy provides limitations in the maturities of various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. As of June 30, 2009 and 2008, the College's debt securities are due to mature in less than one year.

In September 2008, the College was notified that Wachovia Bank, N.A., as trustee of the Commonfund for Short Term Investments (the Fund), was resigning as trustee, had initiated the process of terminating the Fund, and had established procedures for an orderly liquidation and distribution of the assets of the Fund over a period of time. The College has withdrawn $4,910 and $3,385 from the Short Term and Intermediate Funds, respectively, through June 30, 2009 and the value is $144 at June 30, 2009.

(5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2009 and 2008:

Due from State of New Jersey			
		2009	2008
FICA benefit reimbursement	$	449	1,077
Asbestos reimbursements		76	—
Alternative Benefit Programs (ABP)		798	740
Total	$	1,323	1,817

Notes to the Financial Statements (dollar amounts in thousands)

(6) Capital Assets

Capital asset activity for the years ended June 30, 2009 and 2008 was as follows:

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

Notes to the Financial Statements (dollar amounts in thousands)

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

As of June 30, 2009 and 2008, the College's bond obligations were collateralized by buildings and equipment with book values of $406,569 and $361,024, respectively. During fiscal years 2009 and 2008, interest income on bond construction funds was $759 and $1,345, respectively. Interest expense on these same bond funds was $3,641 for 2009 and $4,067 for 2008. Net interest costs of $2,882 and $2,722, for fiscal years 2009 and 2008, respectively, were capitalized and included in construction in progress.

Notes to the Financial Statements (dollar amounts in thousands)

(7) Deposits Held with Bond Trustees

Deposits held with bond trustees represent restricted funds held by U.S. Bank and The Bank of New York, (the trustees), under the terms of various lease agreements and bond indentures. Deposits with bond trustees are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2009 and 2008, deposits with bond trustees include the following:

Deposits Held with Bond Trustees			
		2009	**2008**
Construction funds	$	31,746	72,567
Renewal and replacement funds		—	260
Debt service reserve funds		—	105
Rental pledge		11,541	7,525
Total	$	43,287	80,457

For the year ended June 30, 2008, the College was 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. During fiscal year 2009 these reserve requirements were no longer necessary as the related bonds had matured.

As of June 30, 2009 and 2008, deposits held with bond trustees included $31,746 and $68,678, 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, 2009 and 2008:

Accounts Payable and Accrued Expenses			
		2009	**2008**
Bond principal and interest	$	11,541	6,659
Vendors		7,469	7,648
Accrued salaries and benefits		1,887	1,719
Accrued expense – construction		4,551	3,224
Total	$	25,448	19,250

Notes to the Financial Statements (dollar amounts in thousands)

(9) Noncurrent Liabilities

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

The following is a breakout of bonds payable and other long-term obligations, as of June 30, 2009 and 2008:

Bonds Payable and Other Long-Term Obligations

		2009	2008
Bonds payable:			
New Jersey Educational Facilities Authority:			
2002 Series C (interest 4.00% to 5.38%, maturing on July 1, 2019)	$	38,965	42,375
2008 Series D (interest 4.00% to 5.00%, due serially starting on July 1, 2010 to July 1, 2028)		160,335	160,335
2008 Series D (interest 5.00%, maturing on July 1, 2035)		127,455	127,455
Subtotal bonds payable		326,755	330,165
Add/subtract:			
Bond premium		11,045	12,291
Bond discount		(161)	(178)
Total bonds payable	$	337,639	342,278
Other long-term obligations:			
Dormitory Safety Trust Fund (interest 5%, maturing on January 15, 2018)	$	885	1,003
Equipment Leasing Series 2003A (interest 2.00% to 5.00%, maturing on August 1, 2011)		319	417
Higher Education Capital Improvement Fund (interest 4.52% to 5.25% maturing on August 15, 2022)		7,727	7,998
Total other long-term obligations	$	8,931	9,418

Notes to the Financial Statements (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, 2009:

Principal and Interest Repayments

		Bond principal	Other long-term obligations principal	Bond interest	Other long-term obligations interest
Year ending June 30:					
2010	$	3,845	506	16,125	390
2011		4,050	526	15,971	371
2012		4,255	543	15,810	353
2013		4,470	449	15,636	337
2014		8,110	466	15,448	320
2015–2019		50,425	2,325	70,554	1,304
2020–2024		67,415	4,116	56,574	508
2025–2029		72,385	—	39,064	—
2030–2034		90,820	—	19,311	—
2035–2036		20,980	—	1,049	—
	$	326,755	8,931	265,542	3,583

Noncurrent liabilities activity for the years ended June 30, 2009 and 2008 is as follows:

Noncurrent Liabilities Activity

2009		Beginning balance	Additions	Deductions	Ending balance	Current portion
Noncurrent liabilities:						
Compensated absences	$	2,690	96	—	2,786	2,540
U.S. and Government grants refundable		4,404	—	—	4,404	—
Bonds payable, net		342,278	—	(4,639)	337,639	4,486
Other long-term obligations		9,418	—	(487)	8,931	506
Total noncurrent liabilities	$	358,790	96	(5,126)	353,760	7,532

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

(continued)

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

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

Interest Rate Swaps

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

(10) Benefits Paid by the State of New Jersey

The State, through separate appropriations, principally healthcare and pension costs and FICA taxes, pays certain fringe benefits on behalf of College employees. The costs of these benefits, $22,562 and $20,255 in 2009 and 2008, respectively, were paid directly by the State on behalf of the College and are included in the accompanying financial statements as part of nonoperating revenues under New Jersey State Appropriations revenues and as operating expenses in various functional expense categories.

(11) Retirement Plans

(a) Plan Descriptions

The College participates in several retirement plans covering its employees – the Public Employees’ Retirement System (PERS), the Teachers’ Pension and Annuity Fund (TPAF), the Police and Firemen’s Retirement System (PFRS), and the Alternative Benefit Program (ABP). Generally all employees, except certain part-time employees, participate in one of these plans.

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

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

ABP presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Investment Services, Lincoln National, Metropolitan Life, Copeland Companies and VALIC. A separate board of trustees administers ABP alternatives.

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

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

(b) Funding Policies

PERS, TPAF, and PFRS covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the required contributions are made on the College's behalf by the State of New Jersey annually at an actuarially determined rate. The contribution requirements of plan members and the College are established and may be amended by the board of trustees of the respective plan. The College's contributions to the plans (amounts made by the State) for the years ended June 30, 2009 and 2008 were $1,757 and $1,029, 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.

Notes to the Financial Statements (dollar amounts in thousands)

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pretax basis. Employer contributions are 8%. During the years ended June 30, 2009 and 2008, ABP investment carriers received employer and employee contributions as follows:

ABP Employer and Employee Contributions			
		2009	2008
Employer contributions	$	3,696	3,442
Employee contributions		4,720	4,595
Participating employees' salaries		46,199	43,030

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

(d) Postemployment Benefits Other Than Pension

The State of New Jersey implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2008. The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers the employees of the College. The employees of the College are employees of the State of New Jersey, therefore the other postemployment benefit plans liability is reported by the State of New Jersey.

(12) Compensated Absences

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the sick leave accumulation at the pay rate in effect at the time of retirement up to a maximum of $15 per employee. Employees separating from College service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the College recorded a liability for accumulated sick leave balances in the amount of $246 and $217 as of June 30, 2009 and 2008, respectively, which is reflected in compensated absences in the accompanying financial statements.

The College is required to pay non-faculty employees for their accumulated vacation time upon their separation or retirement. These liabilities were $2,540 and $2,473 as of June 30, 2009 and 2008, 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, 2009 and 2008 have been designated by management for working capital reserves for auxiliary operations, educational and general activities, funding for debt service and capital reserves for planned construction efforts.

(14) Contingencies

The College is a party to various pending legal actions and other claims in the normal course of business. Management of the College is of the opinion that the outcome thereof will not have a material effect on its financial position based on legal representation letters obtained from outside counsel.

(15) Government Relations and Legal Fees

The New Jersey Higher Education Restructuring Act of 1994 requires the College to disclose the costs incurred associated with government and public relations and legal costs. During the years ended June 30, 2009 and 2008, the College expended $361 and $351, respectively, for government and public relations, and $200 and $164, respectively, for legal fees.

(16) Cash Flow Hedge – Commodity Futures Contract

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

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

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

As of June 30, 2008 there were 24 contracts hedged which represent 240,000 million British thermal units (MMBTUs) ranging from zero to $17. The aggregate fair value of the 24 contracts was $191. Under the terms of the commodity futures contracts, the College agrees to pay an average fixed price of $12.62 per MMBTU and agrees to receive a variable payment based on the New York Mercantile Exchange (NYMEX) price for natural gas at specific dates in fiscal year 2009.

As of June 30, 2008 the College was not exposed to basis risk but was exposed to credit risk in the amount of the fair value of these contracts because the hedge contracts had a positive net fair value. However, should natural gas prices change and the fair value becomes negative, the College would not be exposed to credit risk.

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

Component Unit

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

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

Investments

The Foundation has an investment policy, which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, bonds and bond funds and alternative investments. Investments consist of the following as of June 30, 2009 and 2008:

Notes to the Financial Statements (dollar amounts in thousands)

Foundation Investments

		2009	2008
Equities	$	6,704	8,386
Mutual funds		2,373	3,132
U.S. Treasury bills and notes and Government agencies		3,771	867
Corporate bonds		752	665
Cash and cash equivalents		1,452	1,459
Alternative investment		1,038	—
Total	$	16,090	14,509

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

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

As of June 30, 2009, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

Foundation Fixed Income Investments Ratings 2009

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

Notes to the Financial Statements (dollar amounts in thousands)

As of June 30, 2008, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

Foundation Fixed Income Investments Ratings 2008

Rating		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	$	944	581	286	77
Aa2		119	—	—	119
Aa3		217	—	—	217
A1		77	—	—	77
A2		99	—	—	99
A3		17	—	—	17
Baa1		9	—	—	9
Baa3		50	—	—	50
Total	$	1,532	581	286	665

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy provides limitations in the maturities of various types of investments. As of June 30, 2009, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

Foundation Fixed Income Investments Maturity 2009

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

Notes to the Financial Statements (dollar amounts in thousands)

As of June 30, 2008, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

Foundation Fixed Income Investments Maturity 2008

Maturing in years		Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	$	263	134	29	100
1 – 5		886	280	102	504
6 – 10		176	84	31	61
Greater than 10		207	83	124	—
Total	$	1,532	581	286	665

Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

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	$	14,000
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grants	84.007		251,378
Federal Family Education Loans	84.032		24,097,345
Federal Work-Study Program	84.033		151,178
Federal Perkins Loan Program (including administrative cost allowance of $11,945)	84.038		250,845
Federal Pell Grant Program	84.063		3,024,007
Academic Competitiveness Grant	84.375		8,950
National Science and Mathematics Access to Retain Talent Grant	84.376		34,902
Teacher Education Assistance for College and Higher Education Grants	84.379		79,000
Total Student Financial Assistance Cluster			27,911,605
Research and Development Cluster:			
U.S. Department of Justice:			
Passed through Indiana University:			
National Institute of Justice	16.560		8,000
U.S. Department of Commerce:			
Summer Undergraduate Research Fellowship	11.609		14,630
U.S. Department of Health and Human Services:			
Passed through State of New Jersey Department of Corrections:			
Promoting Responsible Fatherhood	93.086		50,426
U.S. Environmental Protection Agency:			
Passed through New Jersey Institute of Technology:			
Protection of Critical Source Areas for Achieving Long-Term Sustainability of Drinking Water	66.509		16,616
National Institute of Health:			
Roles BAF Like in the Nucleus	93.859		48,331
National Park Service:			
Lower Delaware Regions Watershed	15.921		937
National Science Foundation:			
Studies of Menthyl Farnesoate	47.074		1,457
Total Research and Development Cluster			140,397
U.S. Department of Health and Human Services:			
Passed through State of New Jersey Department of Human Services:			
Passed through Rowan University:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		371
Developmental Disabilities Basic Support and Advocacy Grants	93.630		28,127
National Endowment for the Arts:			
Promotion of the Arts Grants to Organizations and Individuals	45.024		20,000
National Science Foundation:			
Broadening Participation in Computing via Community Journalism for Middle Schoolers	47.070		243,938
Education and Human Resources	47.076		5,846
Program to Enhance Retention of Student in Science Trajectories in Biology and Chemistry	47.076		74,322

Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

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	$	18,385
Passed through State of New Jersey Division of Alcoholic Beverage Control:			
Lollanobooza	16.727		5,000
U.S. Department of Education:			
Bonner Center for Civic and Community Engagement	84.116		287
Special Education, Technical Assistance and Dissemination to Improve Services and Results For Children with Disabilities	84.326C		203,931
Passed through State of New Jersey Department of Education:			
Sustainability Career Track Initiative	84.048A		72,785
Teacher Quality Enhancement Recruitment	84.336		727,842
Undergraduate International Studies and Foreign Language Programs	84.016		70,496
U.S. Department of Transportation:			
Passed through State of New Jersey Division of Highway Traffic Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		53,404
Federal Highway Administration:			
Passed through State of New Jersey Department of Transportation:			
Land Use Municipal Resource Center	Q680TCSP008		39,267
U.S. Small Business Administration:			
Passed through State of New Jersey Commerce, Economic Growth, and Tourism Commission:			
Passed through Rutgers, The State University of New Jersey:			
Small Business Development Center	59.037		202,207
U.S. Environmental Protection Agency:			
Wastewater Management	66.463		3,178
Corporation for National and Community Service:			
AmeriCorps National Education Awards Program	94.006		181,749
AmeriCorps National Education Awards Program	94.006		688
Passed through State of New Jersey Department of State:			
AmeriCorps Bonner Leaders Program	94.006		228,746
Institute of Museum and Library Services:			
Open Source Library System	45.312		6,320
Total expenditures of Federal awards		$	30,238,891

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

Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2009

State of New Jersey grantor/pass-through grantor/ program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
Student Financial Assistance Cluster:				
New Jersey Commission on Higher Education:				
Educational Opportunity Fund Grant	100-074-2401-001-KKKK-6140	$ 484,571	07/01/08 - 06/30/09	$ 484,571
Educational Opportunity Fund Grant - Summer School	100-074-2401-001-KKKK-6140	272,977	07/01/08 - 06/30/09	272,977
Higher Education Student Assistance Authority:				
Edward J. Bloustein Distinguished Scholars Award	100-074-DS10-278-KKKK-6150	1,050,086	07/01/08 - 06/30/09	1,050,086
New Jersey College Loans to Assist State Students	—	10,411,953	07/01/08 - 06/30/09	10,411,953
Outstanding Scholars Recruitment Program	100-074-2405-293-KKKK-6150	930,862	07/01/08 - 06/30/09	930,862
Tuition Aid Grant	100-074-2405-007-KKKK-6150	5,018,608	07/01/08 - 06/30/09	5,018,608
Urban Scholars Award	100-074-US11-278-KKKK-6150	132,293	07/01/08 - 06/30/09	132,293
NJ Student Tuition Assistance Reward Scholarship II	—	330,792	07/01/08 - 06/30/09	330,792
Total Student Financial Assistance Cluster				18,632,142
New Jersey Council for the Humanities:				
Wilder in the Twenty-First Century	2008-08	10,000	07/01/08 - 01/05/09	9,970
New Jersey Council on the Arts:				
Passed through Mercer County Cultural and Heritage Commission:				
Special Project Support Grant	2008 Grant	1,000	01/01/08 - 12/31/08	1,000
Local Arts Program / TCNJ Art Gallery	2008 Grant	4,000	01/01/08 - 12/31/08	4,000
New Jersey Department of Education:				
Professional Learning Community	MOU	112,903	09/19/08 - 08/31/09	27,407
Career and Technical Student Organization	08000078	254,380	07/01/07 - 06/30/09	122,555
New Jersey Department of Community Affairs:				
Smart Future 2006	2006-99900-3616-00	20,000	01/01/06 - 07/31/08	914
Smart Future 2007	2007-99900-2455-00	20,000	06/30/07 - 06/30/09	13,777
New Jersey Commission on Higher Education:				
Adaptive Technology Center for New Jersey Colleges	08YR4-801180-0052	195,000	07/01/07 - 09/30/08	7,302
Adaptive Technology Center for New Jersey Colleges	09YR5-801180-0052	165,000	07/01/08 - 06/30/09	164,995
Collegebound Program	08YR1-800930-0028	270,000	07/01/07 - 09/30/09	232
Educational Opportunity Fund Program	100-074-2401-002-KKKK-6140	337,237	06/01/07 - 07/31/08	24,684
Educational Opportunity Fund Program	100-074-2401-002-KKKK-6140	349,040	06/01/08 - 07/31/09	317,965

Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2009

State of New Jersey grantor/pass-through grantor/ program or cluster title	Grant/account number		Grant amount	Grant period		Current year expenditures
Governor's School	09GS-801070-0001	$	100,000	04/01/08 - 11/30/08	$	95,894
Special Initiatives	08YR1-801180-0068		78,092	01/01/08 - 12/31/08		44,201
Center Service Enhancement	08YR1-801180-0063		25,000	01/01/08 - 12/31/08		16,380
New Jersey Department of Transportation:						
Mobility & Community Form: Linking Transportation & Land Use	TCNJ2004 - Task Order 6		1,243,804	11/15/07 - 11/14/10		308,421
NJ State Development and Redevelopment	—		244,986	04/02/08 - 09/30/09		168,725
New Jersey Board of Public Utilities:						
Development of TCNJ Wind Energy Assessment Center (WEAC)	No. 20148000441		14,000	08/01/08 - 07/31/10		4,712
Passed through New Jersey Institute of Technology:						
BPU 2009 Mini-Grant Program	71D-082-AC00-002		2,500	01/22/09 - 05/22/09		2,487
New Jersey Department of the Treasury:						
Passed through Rutgers, The State University of New Jersey:						
New Jersey Statewide Systemic Initiative: Regional Center	HE-08-03-00 / 4-21419		75,000	07/01/07 - 12/31/08		42,495
New Jersey Department of Human Services New Jersey Commission for the Blind and Visually Impaired:						
Professional Services to Students with Deafblindness and CBVI Staff	MOU		28,084	10/01/07 - 09/30/08		12,391
Professional Services to Students with Deafblindness and CBVI Staff	MOU		39,308	10/01/08 - 06/30/09		37,357
Teacher of the Blind & Visually Impaired Preparation Program	MOU		373,641	07/01/07 - 06/30/09		166,822
New Jersey Department of State:						
State of New Jersey Appropriation	XX-100-074-24XX-XXX		34,215,250	07/01/08 - 06/30/09		34,215,250
Interdepartmental Accounts:						
State Fringe Benefits Other Than FICA	XX-100-094-9410-XXX		17,166,776	07/01/08 - 06/30/09		17,166,776
FICA - State Colleges and Universities Reimbursement Program	XX-100-094-9410-137		5,395,606	07/01/08 - 06/30/09		5,395,606
Total expenditures of State of New Jersey awards					$	77,004,460

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 2009 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, 2009 was $4,489,393 and $116,123, 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, 2009.

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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, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 28, 2009. 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of 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 28, 2009

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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, 2009, 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, 2009 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, 2009.

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, 2009 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of ECSI's internal control over compliance related to such functions.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal or State of New Jersey program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal or State of New Jersey program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal or State of New Jersey program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

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

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

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

KPMG LLP

March 8, 2010

(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, 2009, 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, 2009.

(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, 2009.

(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, 2009. One significant deficiency (09-1) was reported in connection with major Federal programs and no significant deficiencies were reported in connection with major State of New Jersey programs of the College for the year ended June 30, 2009.

(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, 2009.

(f) There was one audit finding (09-1) which is required to be reported under Section 510(a) of Federal OMB Circular A-133 and no audit findings which are required to be reported under New Jersey OMB Circular 04-04 for the year ended June 30, 2009.

(g) The major Federal and State of New Jersey programs of the College for the year ended June 30, 2009 were as follows:

Federal

- Student Financial Assistance Cluster (CFDA #93.364, 84.007, 84.032, 84.033, 84.038, 84.063, 84.375, 84.376, and 84.379)
- Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (CFDA #84.326C)
- Teacher Quality Enhancement Recruitment (CFDA #84.336)
- AmeriCorps National Education Awards Program/AmeriCorps Bonner Leaders Program (CFDA #94.006)

State of New Jersey

- Student Financial Assistance Cluster
- State of New Jersey Appropriation

(h) The dollar threshold used to distinguish between type A and type B programs was $300,000 for Federal awards and $971,318 for State of New Jersey awards for the year ended June 30, 2009.

(i) The College qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2009.

(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

09-1 – Eligibility

U.S. Department of Education:
Special Education, Technical Assistance and Dissemination to Improve
Services and Results for Children with Disabilities, CFDA #84.326C,
Grant Award Nos. H326C030028-06 and H326C080039
October 1, 2007 to September 30, 2008 and October 1, 2008 to September 30, 2009

Criteria

This grant has specific requirements for eligibility that are unique to the Federal program. The institution is responsible for establishing and maintaining effective internal controls over compliance with the requirements of eligibility that are applicable to this program.

Condition and Effect

Registration forms are completed by the program participants prior to acceptance into the program. If a participant is receiving continued services from the previous year, a registry verification form will be completed by the program staff to verify the participant is still eligible to receive services. In all cases, the registration form or the registry verification form are required to be completed, reviewed, and approved by a member of the program staff. For three out of ten participants selected for testwork, the registration form and registry verification forms were not completed in their entirety and there was no evidence of review performed by a member of the program staff.

Questioned Costs

There are no questioned costs associated with this finding as all participants were considered eligible to receive services.

Cause

The New Jersey Consortium on Deafblindness (NJCDB) project staff has been working diligently to develop a process that could be tracked within the recommended computer software program developed by the National Consortium on Deafblindness (NCDB). NCDB is the organization that is funded by the federal government to assist state projects with systems such as documentation of eligibility. Unfortunately, the software program has had many editions, changes and technical difficulties which is the probable cause of this finding. Efforts have been made to solve these problems and the NJCDB staff is currently documenting eligibility according to newly written and approved (by the Federal Project Officer) policy and procedures.

Recommendation

We recommend that the College's program staff continue to monitor and document the participants' eligibility prior to providing services to ensure that all participants receiving services under this program are eligible.

View of Responsible Official

It should be noted that the charge of identifying students who are eligible for project services is difficult and often an inexact science due to the nature of the disability and its federal definition (Federal Register, 1999, p. 12422). If an error is made in this process it could result in significant harm to a child with deafblindness. The census or registry of children that meet the federal definition of deafblindness in which the project is mandated to maintain, was inherited from the New Jersey Department of Education, and there has been every effort made to keep those students regardless of difficulty in obtaining current status. Over the past year, targeted efforts and resources were taken from serving students, school and families to assuring the accuracy of the registry. NJCDB has kept the project's federal officer aware of all its challenges and progress in this initiative.

Project staff are all trained and experienced in the field of deafblindness and the Project Director is a noted National/International scholar in identification and education of children with deafblindness. At no time were project resources ever used on behalf of a child that was not deafblind and we will continue to monitor and document participants' eligibility to ensure this remains the case.

State of New Jersey Awards

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